

M O S E R S



Missouri State Employees' Retirement System

A Component Unit of the State of Missouri

Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 1995



Missouri State Employees' Retirement System
A Component Unit of the State of Missouri

COMPREHENSIVE
ANNUAL FINANCIAL REPORT
Fiscal Year Ended June 30, 1995

Gary Findlay
Executive Director

Gary Irwin
Chief Financial Officer
Document Collection

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Missouri State Employees' Retirement System
906 Leslie Boulevard, P.O. Box 209
Jefferson City, Missouri 65102
(314) 751-2342

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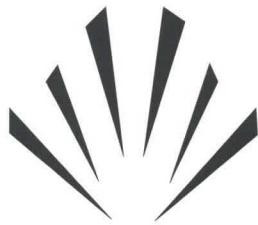
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"One of the responsibilities of the Member Services Section is to scan and index all member records so that the information can be maintained on optical disks. Through use of this advanced technology we have been able to dramatically reduce the number of paper documents which must be maintained. More importantly, our new records maintenance procedures allow us to be much more efficient in responding to member inquiries."

Sally Hager
Sally Hager
Membership Supervisor



Introductory Section

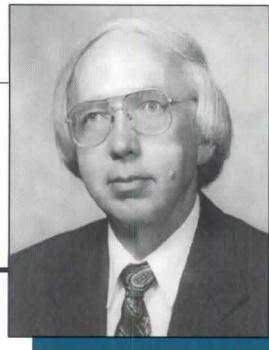
MOSERS Mission

To play an integral role in the future financial security of plan participants by promptly and courteously delivering quality benefits and information which members value and trust through professional plan administration and prudent management of System assets.

Letter of Transmittal



Missouri State Employees' Retirement System



October 1, 1995

Gary Findlay
Executive Director

The Board of Trustees
Missouri State Employees' Retirement System
Jefferson City, MO 65101

It is with great pleasure that I submit my first annual report as Executive Director of the Missouri State Employees' Retirement System (MOSERS). The year ended June 30, 1995, was a period of transition for the System in the areas of investment activity, internal organizational structure, and implementation of legislative changes in benefit programs. In addition, with this report we made the transition to newly required financial statement presentations. Significant transitional activity is detailed in this report.

Report Contents and Structure

MOSERS is considered a component unit of the State of Missouri for financial reporting purposes and, as such, the financial statements contained in this report are also included in the State of Missouri Comprehensive Annual Financial Report. The financial information presented in this report is the responsibility of the management of MOSERS and sufficient internal accounting controls exist to provide reasonable assurance regarding the safekeeping of assets and fair presentation of the financial statements, supporting schedules and statistical tables. The report is also designed to comply with the reporting requirements of Sections 104.480 and 105.661 of the Revised Statutes of Missouri (RSMo) as amended. For ease of use, the report has been divided into the following five sections:

- ◆ The Introductory Section which contains general information regarding the operations of MOSERS.
- ◆ The Financial Section which contains the financial statements, schedules, and supplementary financial information regarding the funds administered by MOSERS.
- ◆ The Investment Section, which is a new section this year and which, relative to previous reports, contains expanded information pertaining to the management of the investments of the pension trust funds.
- ◆ The Actuarial Section which contains information regarding the financial condition and financial position of the retirement plans administered by the System.
- ◆ The Statistical Section which contains data pertaining to the benefits paid by MOSERS.

Financial Statement Format

The financial statements and required supplementary information of the pension trust funds were modified this year as the result of implementation of the provisions of Statement Number 25 of the Governmental Accounting Standards Board (GASB), "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans." A major change resulting from implementation of the new GASB pronouncement is that investments are now required to be presented at their fair (market) value in the System's financial statements. (In last year's report investments were reported at book value.) This change resulted in a decrease of \$53,918,361 in the beginning of year value reported on the Statement of Changes in Plan Net Assets on page 26 relative to the end of year value reported last year. The financial statements in this report have been modified to conform to the new reporting format and to include the required supplementary information stipulated by GASB statement 25.

The pension funds experienced a net increase of \$405,359,625 during the year in the net assets of the pension trust funds. Details of the components of this increase are included in the Statement of Changes in Plan Net Assets on page 26.

Plan Financial Condition

The funding objective of MOSERS' pension trust funds is to meet long-term benefit promises through contributions which remain approximately level as a percent of member payroll over decades of time. Historical information relating to progress in meeting this objective is presented on pages 36-42. During the year ended June 30, 1995, the funded ratio of the Missouri State Employees Plan, which covers 75,503 participants, increased from 83.1% to 84.1% and the funded ratio of the Administrative Law Judges and Legal Advisors Plan, which covers 69 participants, decreased from 71.1% to 68.4%. Additional information regarding the financial condition of the pension trust funds can be found in the actuarial section of this report.

Investment Activity

During the year ended June 30, 1995, the System's asset allocation model was modified to shift more of the System's investments to domestic and international equities while reducing the allocations to real estate, venture capital and cash & equivalents. The number of fixed income managers was reduced and responsibility for management of a portion of the fixed income portfolio was shifted to the internal investment staff. Also during the year, Banker's Trust Company was hired to provide master custody, cash management, and securities lending services effective July 1, 1995. Additional detail regarding this activity as well as information regarding our very favorable investment performance for the year may be found in the Investment Section of this report.

Other Benefit Plans Administered

Last year, the operation of the Missouri State Medical Care Plan in the internal service fund maintained by MOSERS as well as responsibility for administration of that plan was transferred to the Missouri Consolidated Health Care Plan, a newly established State entity. However, MOSERS continues to have responsibility for administration of the Life and Long-Term Disability (LTD) plans and accounts for this activity in the internal service fund. Operationally, MOSERS contracts with insurance companies to provide the life and LTD coverage stipulated by law. MOSERS also maintains the membership data, and collects and remits the required premiums for these plans. Financial statements for the internal service fund are included in this report on pages 27-29.

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to MOSERS for its comprehensive annual financial report for the fiscal year ended June 30, 1994. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report (CAFR) conforming to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. MOSERS has received a Certificate of Achievement for the last six consecutive years (fiscal years ended 1989 - 1994). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA for evaluation.

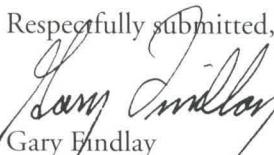
Conclusion

This report is a product of the combined efforts of the MOSERS' staff and advisors functioning under your leadership. It is intended to provide complete and reliable information which will facilitate the management decision process, serve as a means for determining compliance with legal requirements, and allow for the evaluation of responsible stewardship of the funds of the System. As in the past, MOSERS received an unqualified opinion from our independent auditors on the financial statements included in this report. The opinion of the independent auditor can be found on page 24.

This report is provided to the Governor, the State Auditor, the Joint Committee on Public Employee Retirement of the General Assembly, and all state agencies. These agencies form the link between MOSERS and its members -- their cooperation contributes significantly to the success of MOSERS. We hope that all recipients of this report find it to be both informative and useful.

I would like to take this opportunity to express my gratitude to you, to the staff, to the advisors, and to the other people who have worked so diligently to assure the continued successful operation of the System.

Respectfully submitted,



Gary Findlay
Executive Director

Achievements

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Missouri State Employees' Retirement System

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 1994

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director



Public Pension Coordinating Council
Public Pension Principles
1994 Achievement Award

Presented to

**Missouri State Employees'
Retirement System**

In recognition of instituting professional standards for public employee retirement systems as established by the Public Pension Principles.

Presented by the Public Pension Coordinating Council, a confederation of
Government Finance Officers Association (GFOA)
National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

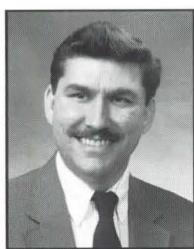
Purvis W. Collins
Purvis W. Collins
Chairman

Board of Trustees



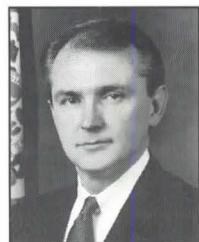
Standing - Brad Ketcher, Don Martin, Senator John Scott, Bob Holden,
Dick Hanson, Senator John Russell, Bryan Ornburn
Seated - Representative Dick Franklin, Tom Hodges,
Representative Bill Skaggs and Janette Lohman

Chairman



Thomas Hodges
Probation Officer
Probation and Parole
Elected Active Member

Vice Chairman



Bob Holden
State Treasurer
Ex-Officio Member
Operations Committee
Investment Oversight Committee H
Investment Committee

Introductory Section



Richard Franklin
State Representative
House of Representatives Member
Benefits Committee ★
Investment Committee
Operations Committee



Richard Hanson
Commissioner of Administration
Ex-Officio Member
Investment Committee
Benefits Committee
Investment Oversight Committee



Bradley Ketcher
Governor's Office
Governor Appointed Member
Benefits Committee
Operations Committee



Janette Lohman
Director, Department of Revenue
Governor Appointed Member
Operations Committee
Investment Oversight Committee



Donald Martin
Associate Professor of Accounting
Central Missouri State University
Elected Active Member
Benefits Committee
Investment Oversight Committee



Bryan Ornburn
Elected Retired Member
Benefits Committee
Investment Committee
Operations Committee



John Russell
Senator
Senate Member
Operations Committee ★
Investment Committee



John Scott
Senator
Senate Member
Investment Committee
Investment Oversight Committee



Bill Skaggs
State Representative
House of Representatives Member
Investment Committee ★
Investment Oversight Committee
Benefits Committee

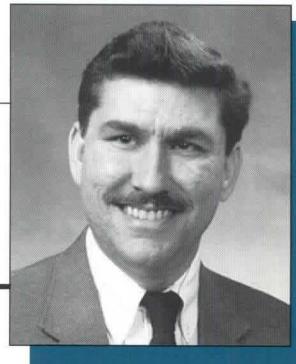
★ Denotes committee chairman

Introductory Section

Letter from the Chairman



Missouri State Employees' Retirement System



Tom Hodges
Chairman

October 1, 1995

Dear Members:

On behalf of the members of the Board of Trustees, I am pleased to present the MOSERS' Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 1995.

The primary focus of the Board's attention during the fiscal year was on restructuring the System's investment portfolio to enhance diversification while at the same time reducing risk and management fees. After a tough investment climate in 1994, the System's investments bounced back during 1995 to yield 17.2% for the fiscal year, producing a real return which substantially exceeded our target. Detailed information regarding specific investment accomplishments during the fiscal year is included in the Investment Section of this report.

Regarding benefits, the Board of Trustees implemented the provisions of H.B. 1149, which was enacted during the 1994 session of the General Assembly. Among other things, this legislation resulted in a 6 2/3% increase in benefits for present and future retirees of the System. Legislation enacted this year, for implementation during the 1996 fiscal year, is described on page 20 of this report.

The makeup of the Board changed modestly this year with the departure of former Chairman Ron Larkin and the addition of Don Martin. Ron Larkin, who chose not to seek re-election, diligently served the members of MOSERS during his eight year tenure. It was our good fortune to have had the opportunity to work with Ron on the Board. Don Martin was elected to the Board by the active members last fall and began his term in January. We welcome Don's participation in and contributions to our efforts.

I would like to take this opportunity to thank the MOSERS' staff for the quality job they do for the Board and the membership. The dedicated and professional work of staff has consistently been directed at serving the best interest of the System and its membership.

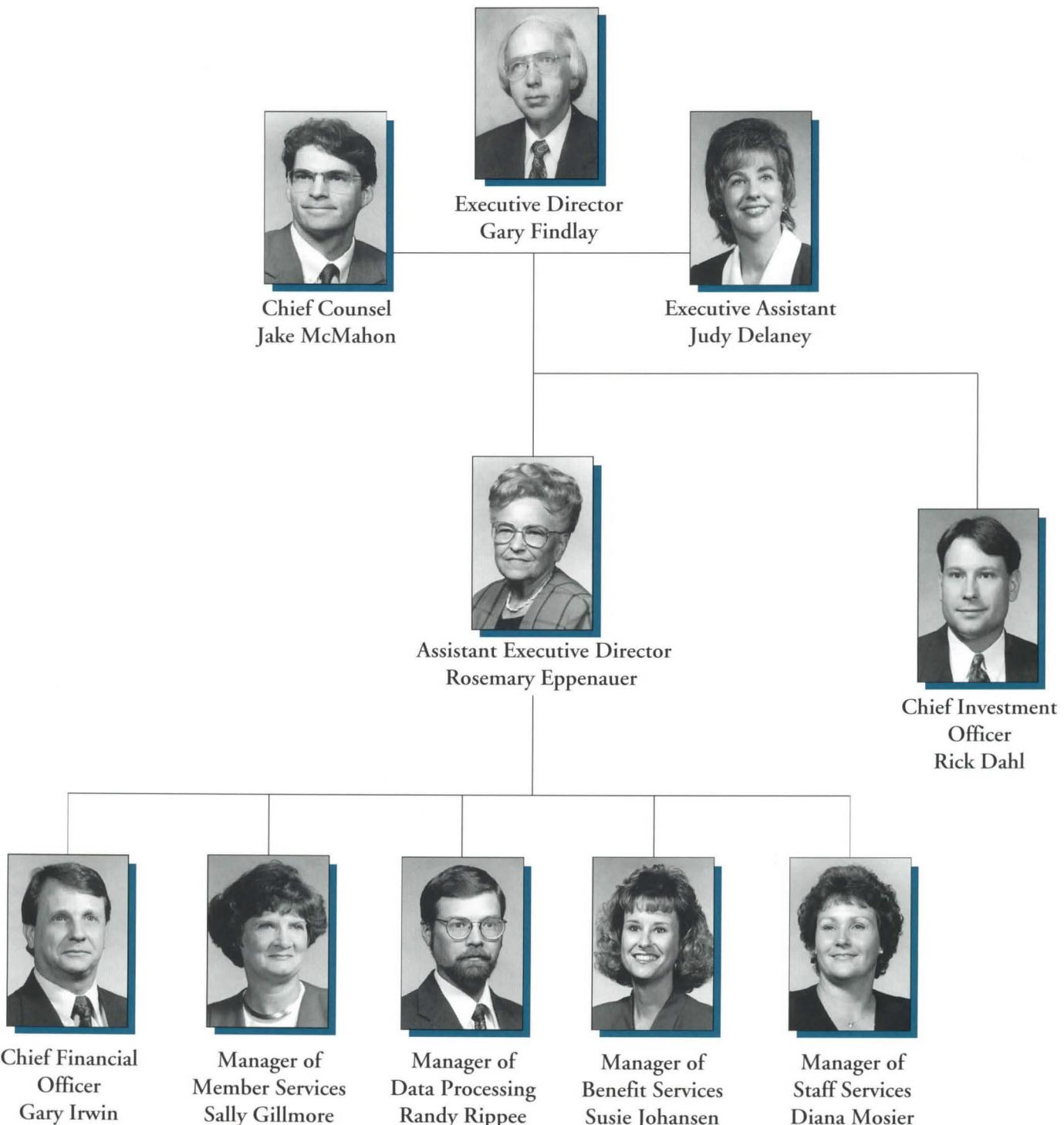
Finally, the members of the Board and the MOSERS' staff wish to express to the active and retired members that we value your input regarding your retirement system. If you would like to comment on how we might better serve you, please feel free to contact staff or a member of the Board of Trustees.

Sincerely,

A handwritten signature in black ink that reads "Thomas F. Hodges".

Thomas F. Hodges, Chairman
Board of Trustees

Administrative Organization



Organization of MOSERS



Standing from left to right are: Jeff Goins, Sandi Marthers, Steve Seibold, Louie Bremer, Randy Woods, Jim Mullen, Maggie Rush, W.D. Allen, Betty Sutterfield, John Brandt, Gary Hollis, Mike Horn, Pat Mergen, Karen Raithel, Sally Hager, Cindy Kampeter, Juanita Libbert, Pam Henry, Bev Murphy, Wanda Verdot, Lori Leeper, Bob Morris, Joan Boehm, Kelly Strickfaden, Betsy Elley, Jerry Heller, Mark Howard, Paul Rockers, Marc Webb, Bette Rovik, Sheryl Schomberg, Hazel Bledsoe, Lori Bentlage

Seated from left to right are: Randy Rippee, Judy Delaney, Susie Johansen, Jake McMahon, Gary Findlay, Rosie Eppenauer, Diana Mosier, Sally Gillmore, Rick Dahl, Gary Irwin

Not pictured are: Angie Bashore, Glenda Luebbert, Pat Neylon, Tracy Upschulte, and Denise Weaver

The Executive Director and the Assistant Executive Director are responsible for the operation of the MOSERS office. The Executive Director is accountable to the Board of Trustees and works with the Board as well as with the actuaries, the benefit consultants, the investment consultant and the investment managers. The MOSERS office has 48 employees and is divided into nine sections.

ACCOUNTING

This section is responsible for all financial records of the programs administered by MOSERS, including preparation of financial, statistical and investment reports. Accounting performs the purchasing functions for MOSERS, as well as interfaces with the investment consultant, investment managers, Office of Administration accounting, various payroll/personnel departments, life insurance companies, actuaries, banks, and the IRS. The Chief Financial Officer is responsible for the accounting section.

BENEFIT SERVICES

This section is responsible for all direct contact with the membership regarding MOSERS' benefit programs. With a staff of seven employees, Benefit Services communicates information on all of the benefit programs administered by MOSERS including retirement, life and long-term disability.

CHIEF COUNSEL

The MOSERS Chief Counsel is responsible for the coordination and handling of legal and quasi-judicial work arising from the administration of laws governing the general operations of MOSERS and exercises a high order of professional judgment and discretion in preparing and presenting cases or in providing the Executive Director and Board of Trustees with advisory opinions regarding legal questions. The Chief Counsel also has the responsibility for the maintenance of professional and technical legal standards and may supervise less experienced legal and/or para-legal staff.

COMMUNICATIONS

MOSERS has one Communications Specialist who is responsible for developing and maintaining a formal communications program including writing, editing, and designing technical materials as well as generating graphic and photographic materials for the publications. The Communications Specialist reports to the Assistant Executive Director.

DATA PROCESSING

Using an IBM AS 400 computer, this section provides all computer and technical design support for MOSERS programs. Data Processing is responsible for establishing and updating computer programs to implement plan changes. This section also maintains members folder information on an optical disk image system. All information is stored and processed using computer displayed images of the original documents. The Manager of Data Processing is responsible for this section.

EXECUTIVE ASSISTANT

MOSERS has one Executive Assistant who assists the Executive Director in major operational functions of the retirement and related benefit programs, assists in the area of procurement of professional service contract arrangements, policy formulation and procedures development; review and monitoring of state and federal legislation and regulations, and general operational support.

INVESTMENTS

The Investment Section provides internal investment management and consulting services to the Board and Director. The primary functions of staff include: analyzing and rebalancing the overall asset allocation of the System and its portfolio structure; managing portions of MOSERS' portfolio; providing technical advice; screening and monitoring external managers; serving as a liaison to the investment community; and informing and advising the Board and Director on financial, economic and political developments that may affect the System. Staff also works with the asset consultant on a project-specific basis. The Investment section consists of a Chief Investment Officer and four other professional staff members.

MEMBER SERVICES

This section consists of eight employees and is responsible for establishing and maintaining all membership records--including maintenance of the data on the electronic imaging system, balancing payroll deductions for insurance and verification of all payroll, service and leave data which is entered into the system's computerized data base.

SPECIAL PROJECTS

The Special Projects section has a total of two employees who report to the Assistant Executive Director. The Special Projects section is responsible for special projects and research.

STAFF SERVICES

This section is responsible for providing clerical support for all Missouri State Employees' Retirement System personnel. The Manager of Staff Services also acts as secretary to the Board of Trustees and coordinates all the Board activities and serves as MOSERS Personnel Officer. The Manager of Staff Services is responsible for this section.

Although each section performs different job responsibilities, all the employees of the Retirement System work together to better serve our members.

Professional Services

ACTUARY

Gabriel, Roeder, Smith & Co.
Actuaries and Consultants
Tom Cavanaugh
Mike Falco
Northport, New York

AUDITORS

KPMG Peat Marwick LLP
Certified Public Accountants
Karyn Molnar
Ted Flom
St. Louis, Missouri

LEGAL COUNSEL

Thompson & Mitchell
Attorneys at Law
Allen Allred
Tom Litz
St. Louis, Missouri

INVESTMENT MANAGEMENT CONSULTANT

Summit Strategies, Inc.
Steve Holmes
Charlie Holmes
St. Louis, Missouri

VENTURE CAPITAL INVESTMENT ADVISOR

Brinson Partners, Inc.
Bart Holaday
T. Bondurant French
Chicago, Illinois

CUSTODIANS

Bankers Trust Company
B.J. Kingdon
New York, New York

Boatmen's Trust Company
John Jackson
Lyle Brizendine
St. Louis, Missouri

EQUITY INVESTMENT ADVISORS

Bankers Trust Company
Global Investment Management
Tim Kane
Rick Vella
New York, New York

Capital Guardian Trust
Mike Nyeholt
Mike Erickson
Los Angeles, California

**Chancellor Capital
Management, Inc.**
Ellen Adams
Scott Turk
New York, New York

**General American Investment
Management Company**
Doug Koester
Lisa Longo
St. Louis, Missouri

**Independence
Investment Associates**
Bill Kennedy
Boston, Massachusetts

Investment Advisors, Inc.
Kip Knelman
Suzanne Zak
Minneapolis, Minnesota

Kennedy Capital Management
Dick Sinise
St. Louis, Missouri

Montgomery Asset Management
Kevin Hamilton
San Francisco, California

Seneca, Inc.
Sandi Sweeney
Patrick Tuohy
Florham Park, New Jersey

EQUITY INVESTMENT ADVISORS (Con't)

Wilshire Associates, Inc.
Tom Stevens
Mike Napoli Jr.
Santa Monica, California

Woodford Capital Management
Peggy Woodford Forbes
Michael Gayed
New York, New York

FIXED INCOME INVESTMENT ADVISORS

Black Rock
Financial Management L.P.
Hugh Frater
Keith Anderson
New York, New York

Boatmen's Trust Company
Frank Aten
Scott Lieberton
St. Louis, Missouri

**Hoisington Investment
Management Company**
Van Hoisington
Janice Teague Green
Austin, Texas

Mississippi Valley Advisors, Inc.
David Bethke
St. Louis, Missouri

**United Missouri Investment
Counsel Service**
David B. Anderson
Lou Dare
Kansas City, Missouri

RISK MANAGEMENT CONSULTANT

Charlesworth & Associates
Art Charlesworth
Bob Charlesworth
Overland Park, Kansas

Summary of Plan Provisions

The Missouri State Employees' Retirement System (MOSERS), established September 1, 1957, is governed by the statutes of the State of Missouri.

PURPOSE

MOSERS provides retirement, survivor and disability benefits, and life insurance to its members.

MOSERS administers retirement benefits for most State employees, including members of the Water Patrol, members of the General Assembly, and Elected State Officials. MOSERS is a non-profit entity which has the responsibility of administering the law in accordance with the expressed intent of the General Assembly and bears a fiduciary obligation to the State employees who are its beneficiaries.

This is a summary of the provisions of the Revised Statutes of Missouri (RSMo), as amended, that governed the programs which MOSERS administered during the period covered by this report. It does not amend or overrule any applicable statute or administrative rule and, in the event of a conflict, the applicable statute or rule would apply.

ADMINISTRATION

The statutes provide that the administration of MOSERS be vested in an 11 member Board of Trustees. The Board is comprised of:

Two members of the Senate, appointed by the President Pro Tem of the Senate

Two members of the House, appointed by the Speaker of the House

Two members appointed by the Governor

Three members of the System, two active members elected by the active and vested members and one retiree, elected by the retired members

The State Treasurer

The Commissioner of Administration

The management of MOSERS is the responsibility of the Executive Director who is appointed by the Board and serves at its pleasure.

The Executive Director acts as advisor to the Board on all matters pertaining to the System and, with the approval of the Board, contracts for professional services and employs the remaining staff needed to operate the System.

RETIREMENT

Eligibility

Members who work in a position normally requiring at least 1,000 hours of work a year and who are not simultaneously accumulating creditable service under another retirement program supported by State contributions (other than social security) are eligible and required to participate in the Retirement Plan.

Unreduced Retirement Benefits

A member may retire with full benefits when he/she attains:

<u>Age</u>	<u>Service</u>
60	15 years
65	5 years
65	4 years*
Rule of 80 (80 & out)**	

* Must be retiring directly from active employment.

** Must be at least age 50.

A member of the General Assembly may retire with full benefits when he/she attains:

<u>Age</u>	<u>Service</u>
55	3 biennial assemblies

Uniformed members of the Water Patrol may retire with full benefits when he/she attains:

<u>Age</u>	<u>Service</u>
55	5 years
55	4 years*
Rule of 80 (80 & out)**	

* Must be retiring directly from active employment.

** Must be at least age 50.

Early Retirement

Members of MOSERS may retire early with a reduced benefit at age 55 with 10 years of service. Elected State Officials may retire early at age 55 with 10 years of service.

There are no early retirement provisions for General Assembly members and uniformed members of the Water Patrol.

Benefit Formula

The benefit formula for members of MOSERS is 1.6 percent of the average of the highest 36 consecutive months of salary times years of creditable service.

Introductory Section

General Assembly members receive:

- ◆ \$150 x number of biennial assemblies (3 or more).

Elected State Officials with less than 12 years of service as an elected official receive 1.6 percent of the average of their highest three consecutive calendar years of salary times years of creditable service. Those officials with 12 or more years of service receive 50 percent of the statutory salary paid to the current elected official in the highest position which the retiree previously held.

Uniformed members of the Water Patrol receive 1.6 percent of the average of their highest 36 consecutive months of salary times years of creditable service. That amount is then increased by 33-1/3 percent to determine their normal retirement annuity.

Creditable Service

Creditable service is a combination of the creditable prior service a member has accrued before becoming a member of MOSERS and the years and full months of Membership Service the member has as a member of MOSERS.

Creditable service is used in determining the amount of the member's benefit under the System.

Vesting is based on service which is recognized in determining the member's eligibility for benefits under the System. A member is fully vested upon attainment of five years of service.

Optional Forms of Payment

Retirement benefits are paid according to the election made by the member just prior to retirement. A member may choose a life income annuity and receive a full benefit with no survivor option or the member may choose a 50 percent or 100 percent joint and survivor option. If one of the latter is chosen, the benefit is reduced and, upon the members' death, the surviving spouse receives either 50 percent or 100 percent of the member's reduced benefit.

Under either joint and survivor option, if the designated surviving spouse dies before the retiree, the retiree's benefit will "pop-up" or revert to the life income annuity option effective the month following the spouse's death.

Members of the Department of Conservation, General Assembly, and Elected Officials automatically receive a 50 percent surviving spouse benefit for service in those positions without an actuarial reduction in their benefit.

MOSERS members may also choose lifetime income with either 60 or 120 guaranteed monthly payments. If the member dies before receiving the designated number of payments, the beneficiary receives the remaining payments.

Cost-of-Living Adjustments

Retired members receive annual cost-of-living adjustments (COLAs) equal to 80 percent of the previous year's change in the Consumer Price Index (CPI) with a minimum of four percent and maximum of five percent of the monthly benefit received the previous year.

Members may receive a cumulative maximum of 65 percent of their base benefit in cost-of-living adjustments.

Survivor's Benefit

A 100 percent joint and survivor benefit, based on the member's accrued base benefit, will be paid to the eligible surviving spouse if the member is fully vested and dies prior to retirement.

With no eligible surviving spouse, the member's unemancipated minor children will receive 50 percent of the fully vested member's accrued base benefit.

Contributions

MOSERS is a non-contributory plan, with the entire cost paid by the state of Missouri. The contribution rate paid by the State for fiscal year 1995 was 9.04 percent of the membership payroll.

INSURANCE PLANS

Long-Term Disability

Members of MOSERS in a position normally requiring 1,000 hours of work a year are covered under the Long-Term Disability Plan, unless they work for a State agency which has its own long-term disability plan. Eligible participants receive 60 percent of their compensation minus primary Social Security, Workers' Compensation, and employer-provided income. The benefit commences on the 181st day of disability or after sick leave expires, whichever occurs last. Long-term disability benefits cease when the disability ends, when retirement benefits begin, when the member returns to work, or upon the member's death.

Life Insurance

Basic Life Insurance

Active employees covered under the MOSERS life insurance plan receive \$15,000 of Basic Life Insurance on the first of the month coinciding with or following the date of employment. The cost of Basic Life Insurance is paid by the State. Eligible members, who immediately retire from active employment, are provided \$5,000 of Basic Life Insurance by the State at no cost to the member. Retired members may convert up to \$10,000 to an individual policy with the insurance carrier at individual rates. Terminating employees may convert up to \$15,000 of Basic Life Insurance at individual rates.

Optional Life Insurance

Members working for an agency covered under MOSERS life insurance plan are eligible for Optional Life Insurance on the first of the month coinciding with or following their date of employment. Members are responsible for paying the entire cost of their Optional Life Insurance. The two options available are:

- ◆ Option A - Employee may elect 1, 2, or 3 times annual salary. The amount automatically increases or decreases each May 1 based on the preceding January salary.
- ◆ Option B - Employee may elect a flat amount not to exceed three times their annual salary.

Members who immediately retire from active employment after August 13, 1988, may continue up to \$10,000 of their Optional Life Insurance at the group rate and may convert their remaining Optional Life Insurance at individual rates. Terminating employees may convert an amount up to the amount they had as an active employee at individual rates.

JUDGES/ADMINISTRATIVE LAW JUDGES

MOSERS also is responsible for the administration of the retirement, life insurance, and disability plans for judges of state courts and administrative law judges/legal advisors of the Division of Workers' Compensation. (Administrative law judges/legal advisors will hereafter be referred to as ALJs.) The benefits provided to judges and ALJs are funded separately. Judges' benefits are paid by the State on a "pay-as-you-go" basis, while the benefits for ALJs are funded by the State. The State contributed 22.5% of the ALJs payroll during fiscal year 1995.

Normal Retirement

Judges may retire at age 62 with 12 years of service or at age 60 with 15 years. The benefit is based on the years and months of creditable service the judge has and on the judge's salary.

ALJs are eligible for normal retirement when they reach at least age 65 with 12 years of service or when they have reached age 55 and have 20 or more years of creditable service. The benefit is based on years and full months of service and on salary.

Early Retirement

Judges with less than 15 years of services may elect retirement as early as age 60. Judges who retire between age 60 and 62 receive a benefit equal to the proportion of normal retirement benefits that the judges' service bears to 15 years.

There are no early retirement provisions for ALJs.

Benefit Formula

Judges at least age 62, with 12 or more years of service receive a monthly benefit of one-half the salary of a judge in the highest court in which the judge served at the time the judge retires from office. Judges with less than 12 years of service receive a benefit that is calculated based on the proportion of normal retirement benefits that the judge's service bears to 12 years.

ALJs at least age 65, with 12 or more years of service receive a monthly benefit of one-half of their average monthly salary based on their highest annual salary.

ALJs with less than 12 years of service receive a benefit equal to the proportion of normal retirement benefits that their service bears to 12 years.

Creditable Service

Creditable service is a combination of the creditable prior service accrued before becoming a member and the years and full months of service judges or ALJs have as a member of their respective retirement plans. Creditable service is used in determining the amount of the benefit under each retirement plan.

Cost-of-Living Adjustments

Judges and ALJs may apply to become special consultants, thus providing annual cost-of-living adjustments.

Survivor Benefit

The survivor benefit of an active judge or ALJ equals 50 percent of the benefit accrued to age 70, unless the period of service could not have been 12 years by age 70, which results in a reduced benefit being paid. The survivor benefit of a terminated judge or ALJ with 12 or more years of service is 50 percent of the accrued benefit. The benefit to the survivor of a retired judge equals 50 percent of the judge's monthly retirement benefit.

Disability

Judges who become disabled receive one-half of their salary on the date of disability. This is a Constitutionally-provided disability benefit paid until his/her term expires. In addition, judges and ALJs receive the same Long-Term Disability coverage as the other members of MOSERS.

Life Insurance

The Basic and Optional Life Insurance benefits provided to active judges and ALJs are the same as those provided to other members of MOSERS as described on pages 18 and 19. Basic Life Insurance for retiring or terminating judges and ALJs ends on the date of termination of employment.

Retired judges and ALJs may convert Basic and Optional Life Insurance to an individual policy and pay the individual rate.

1995 Legislative Review

On June 27, 1995, Governor Carnahan signed into law House Bill 416 which contained several provisions affecting the benefit plans administered by MOSERS. The following narrative briefly describes House Bill 416 as well as other legislation enacted this year applicable to future benefits for plan participants. The laws were effective August 28, 1995, unless otherwise noted.

General Employee Plan (General Employees, Conservation, Water Patrol, Legislators, and Elected Officials)

◆ *Lump-Sum Provision*

Allows a terminated vested member the option of receiving the present value of a deferred normal annuity if the member has less than 10 years of creditable service and is not within 5 years of eligibility for retirement. This new provision will enable former members to receive a lump-sum payment after leaving state employment (and making application for a lump-sum payment) instead of waiting for what, in many cases, may be as long as 30 to 40 years to receive a retirement benefit based on short service. The member may then choose to reinvest the amount received in private investment vehicles. (A trustee-to-trustee transfer directly to an Individual Retirement Account (IRA) will be one of the options available to those who elect the lump sum payment.)

◆ *Optional Life Insurance*

Increases from \$10,000 to \$60,000 the amount of optional life insurance a member may retain after retiring. As was previously the case, the premium for optional life insurance is to be paid by the retiree. The additional coverage will be available to members who retire on or after May 1, 1996.

◆ *Application Process for Retirement*

Results in a minor modification to the application process for retirement by removing the notary requirement. This change merely removes some of the administrative burden from the retiree at the time of retirement.

◆ *Transfer of Service (Prosecuting and Circuit Attorneys' Retirement System)*

Allows any employee who previously earned creditable service with any of the retirement plans administered by MOSERS or the Highway Employees and Highway Patrol Retirement System (HEHPRS) to elect a

one-time transfer of not more than five years of service credit to the Prosecuting and Circuit Attorneys' Retirement System.

◆ *Purchase of Service (Harris-Stowe)*

Allows teachers or administrators employed at Harris-Stowe State College prior to 1978 and now actively employed at Harris-Stowe in a MOSERS' covered position to purchase creditable prior service for their Harris-Stowe service covered by the St. Louis Public School Retirement System.

Judges and Administrative Law Judges (ALJs) Retirement Plans

◆ *Long Term Disability*

Allows Judges and ALJs to accrue service credit while receiving long term disability benefits--a provision already applicable to other MOSERS' covered employees.

◆ *Life Insurance*

Gives Judges and ALJs \$5,000 of basic life insurance after retirement--a benefit currently provided to members in the General Employee Plan. Additionally, judges retiring on and after May 1, 1996, may retain and pay for optional life insurance up to a maximum coverage amount of \$60,000, if desired.

◆ *Disability*

Removes the 5 year service requirement to qualify for disability benefits from the ALJs' plan--a benefit now provided in other plans administered by MOSERS.

Retirees

◆ *Pop-Up Provision*

This provision changes the effective date the member's benefit pops up upon the death of a spouse under the Joint and Survivor Options to the first of the month following the death of spouse instead of the first of the month following written notification to the board. This change simply removes some of the administrative burden from the retiree after losing a spouse.

Other Legislation Which Affects Plan Participants

- ◆ Senate Bill 47

Allows a judge who elects to continue working beyond normal retirement age (60 with 15 years of service or age 62 with 12 years of service) to have annual cost of living adjustments added to the base benefit from the time the judge first becomes eligible to retire or August 28, 1995, whichever occurs later. The COLA limit continues to be 65% of the original base benefit.

- ◆ Senate Bill 101

Allows Linn Technical College to become a state college and for employees of the college to become participants in the benefit programs offered by MOSERS. This legislation will become effective at such time as the assets of Linn Tech are transferred to the state.

- ◆ House Bill 300 & 95

Allows the Office of Administration, MOSERS and the Department of Labor to determine the feasibility of transitioning Employment Security employees to MOSERS' group life insurance plan.

- ◆ House Bill 416 - Procurement Action Plan

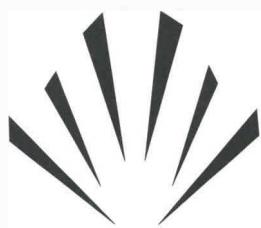
Requires all Missouri public retirement plans to develop a procurement action plan for the utilization of minority and women money managers, brokers and investment counselors. In addition each plan is required to report their progress annually to the Joint Committee on Public Employee Retirement (JCPER) and the Governor's Minority Advocacy Commission (GMAC). The only operational change affecting MOSERS involves the submission of an annual report to the GMAC, since MOSERS already annually reports on its affirmative action plan to the JCPER.



"As a relatively new member of the MOSERS' Staff, I'm impressed by the dedication and commitment of my fellow employees - they all take that extra step to make sure our members receive first class treatment. I'm proud to be a part of this team."

Lori A. Leeper

Lori Leeper
Administrative Secretary



**Financial
Section**

Independent Auditors' Report

KPMG Peat Marwick LLP

Certified Public Accountants

1010 Market Street
St. Louis, MO 63101-2085



The Board of Trustees
Missouri State Employees' Retirement System:

Karyn Molnar
Partner/Audit

We have audited the financial statements of the Missouri State Employees' Retirement System's pension trust and internal service funds as of and for the year ended June 30, 1995, as listed in the accompanying table of contents. These financial statements are the responsibility of the Retirement System's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements of the Missouri State Employees' Retirement System's pension trust funds present fairly, in all material respects, the plan net assets as of June 30, 1995, and the related changes in the plan net assets for the year then ended in conformity with generally accepted accounting principles. Also in our opinion, the financial statements of the Missouri State Employees' Retirement System's internal service fund present fairly, in all material respects, the financial position as of June 30, 1995, and the related results of operations and cash flows for the year then ended in conformity with generally accepted accounting principles.

As discussed in note 2 to the financial statements, in 1995 the Retirement System's pension trust funds adopted Governmental Accounting Standards Board Statement No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans."

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary schedules of funding progress and employer contributions on pages 36 through 39 are not a required part of the basic financial statements of the Missouri State Employees' Retirement System, but are required by the Governmental Accounting Standards Board. The supplementary information included in pages 40 through 47 are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Missouri State Employees' Retirement System. Such information, included on pages 36 through 47, except for that portion marked "unaudited", on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

August 24, 1995

KPMG Peat Marwick LLP



Member Firm of
Klynveld Peat Marwick Goerdeler

**Missouri State Employees' Retirement System
Statements of Plan Net Assets
Pension Trust Funds
As of June 30, 1995**

	Missouri State Employees Plan	Administrative Law Judges and Legal Advisors Plan	Judicial Plan	Total (Memorandum Only)
Assets				
<u>Cash and short-term investments</u>	\$ 47,019,861	\$ 117,745	\$ 0	\$ 47,137,606
<u>Receivables</u>				
State contributions	9,136,251	42,197	0	9,178,448
State reimbursements	0	0	798,721	798,721
Due from other plan	798,721	0	0	798,721
Investment income	15,848,016	39,686	0	15,887,702
Investment sales	145,929,314	365,430	0	146,294,744
Other	21,301	53	0	21,354
Total receivables	171,733,603	447,366	798,721	172,979,690
<u>Investments, at fair value</u>				
U.S. Treasury securities	378,217,694	947,117	0	379,164,811
Corporate bonds	178,742,677	447,600	0	179,190,277
Government bonds	247,318,133	619,324	0	247,937,457
FHA mortgages	553,953	1,387	0	555,340
Real estate mortgages	21,282,940	53,296	0	21,336,236
Real estate equity	55,528,151	139,051	0	55,667,202
Common stock	1,432,870,352	3,588,134	0	1,436,458,486
International EAFE index fund	239,582,065	599,951	0	240,182,016
Preferred stock	678,588	1,699	0	680,287
Convertible bonds	2,168,819	5,431	0	2,174,250
Venture capital	21,441,960	53,694	0	21,495,654
Closed end real estate fund	7,504,753	18,793	0	7,523,546
Real estate investment trusts	4,958,483	12,417	0	4,970,900
Guaranteed investment contracts	15,461,282	38,718	0	15,500,000
Collateralized mortgage obligations	7,348,933	18,403	0	7,367,336
Total investments	2,613,658,783	6,545,015	0	2,620,203,798
<u>Fixed assets</u>				
Land	70,823	177	0	71,000
Building and building improvements	1,191,686	2,984	0	1,194,670
Furniture, fixtures, and equipment	1,742,104	4,363	0	1,746,467
Accumulated depreciation	3,004,613	7,524	0	3,012,137
Total fixed assets	(1,251,139)	(3,133)	0	(1,254,272)
	1,753,474	4,391	0	1,757,865
<u>Prepaid expenses and other</u>	20,132	50	0	20,182
<u>Total assets</u>	2,834,185,853	7,114,567	798,721	2,842,099,141
Liabilities				
Administrative expense payables	1,148,325	2,876	0	1,151,201
Due to other plan	0	0	798,721	798,721
Investment purchases	30,458,078	76,272	0	30,534,350
Securities lending collateral	445,511	1,116	0	446,627
Real estate escrow deposits	109,284	274	0	109,558
Real estate security deposits	278,093	696	0	278,789
Employee vacation liability	79,804	200	0	80,004
Total liabilities	32,519,095	81,434	798,721	33,399,250
Net assets held in trust for pension benefits				
(A schedule of funding progress for each plan is presented on page 36.)	\$ 2,801,666,758	\$ 7,033,133	\$ 0	\$ 2,808,699,891

See accompanying Notes to the Financial Statements.

**Missouri State Employees' Retirement System
Statements of Changes in Plan Net Assets
Pension Trust Funds
Year Ended June 30, 1995**

	Missouri State Employees Plan	Administrative Law Judges and Legal Advisors Plan	Judicial Plan	Total (Memorandum Only)
Additions				
Contributions				
State contributions	\$ 108,902,372	\$ 498,233	\$ 0	\$ 109,400,605
Member purchases of service credit	753,984	0	0	753,984
State reimbursements of non-funded benefits	0	0	9,188,599	9,188,599
Employer contributions service transfers	170,081	0	0	170,081
Total contributions	109,826,437	498,233	9,188,599	119,513,269
Investment income				
Net appreciation in fair value of investments	293,136,583	734,060	0	293,870,643
Interest	62,884,187	157,472	0	63,041,659
Dividends	29,683,215	74,331	0	29,757,546
Real estate operating income, net	4,347,568	10,887	0	4,358,455
Securities lending income	20,534,946	51,423	0	20,586,369
Venture capital income	6,392,368	16,008	0	6,408,376
<i>Less investment expenses</i>				
Securities lending borrower rebates	18,218,152	45,621	0	18,263,773
Securities lending management fees	270,848	678	0	271,526
Investment management fees	3,981,267	9,970	0	3,991,237
Investment consulting fees	209,475	525	0	210,000
Investment custodial fees	383,608	961	0	384,569
Net investment income	393,915,517	986,426	0	394,901,943
Total additions	503,741,954	1,484,659	9,188,599	514,415,212
Deductions				
Benefits	96,198,413	600,650	9,188,599	105,987,662
Administrative expense	3,060,262	7,663	0	3,067,925
Total deductions	99,258,675	608,313	9,188,599	109,055,587
Net increase	404,483,279	876,346	0	405,359,625
Net assets held in trust for pension benefits				
Beginning of year, as restated	2,397,183,479	6,156,787	0	2,403,340,266
End of year	\$ 2,801,666,758	\$ 7,033,133	\$ 0	\$ 2,808,699,891

See accompanying Notes to the Financial Statements.

Missouri State Employees' Retirement System
Balance Sheet
Internal Service Fund
As of June 30, 1995

Assets

Premiums receivable	\$ 714,853
Investment income receivable	4,426
Accounts receivable - other	270,000
Investments at cost	1,392,661
Total assets	<u>\$ 2,381,940</u>

Liabilities and retained earnings

Liabilities

Premiums payable	\$ 1,289,501
Employee vacation liability	8,460
Checks outstanding net of deposits	2,907
Other	73,582
Total liabilities	<u>1,374,450</u>

Retained earnings

Basic life contributions in excess of funding requirements	802,079
Other	205,411
Total retained earnings	<u>1,007,490</u>
Total liabilities and retained earnings	<u>\$ 2,381,940</u>

See accompanying Notes to the Financial Statements.

**Missouri State Employees' Retirement System
Statement of Revenues, Expenses, and Changes in Retained Earnings
Internal Service Fund
Year Ended June 30, 1995**

Operating revenues	
Premium receipts	\$ 13,987,955
Miscellaneous income	275,646
Total operating revenues	<hr/> 14,263,601
 Operating expenses	
Premium disbursements	13,930,820
Premium refunds	57,161
Basic life death benefits	5,000
Administrative expenses	349,835
Total operating expenses	<hr/> 14,342,816
Operating revenues under operating expenses	<hr/> (79,215)
 Non-operating revenues	
Investment income	79,215
Settlement, net of legal expense	<hr/> 205,411
Total non-operating revenues	<hr/> 284,626
 Net revenues over expenses	
Retained earnings July 1, 1994	<hr/> 205,411
Retained earnings June 30, 1995	<hr/> 802,079
	<hr/> \$ 1,007,490

See accompanying Notes to the Financial Statements.

**Missouri State Employees' Retirement System
Statement of Cash Flows
Internal Service Fund
Year Ended June 30, 1995**

Cash flows from operating activities	
Cash received from employer and members	\$ 13,945,187
Other miscellaneous income	329,856
Premium payments to outside carriers	(13,865,855)
Refunds of premiums to members	(57,161)
Basic life death benefits	(5,000)
Cash payments to employees for services	(164,259)
Cash payments to other suppliers of goods and services	(236,919)
Net cash used in operating activities	<u>(54,151)</u>
Cash flows from noncapital financing activities	
Implicit funding of checks outstanding net of deposits	2,907
Implicit repayment of prior years checks outstanding net of deposits	(1,328)
Net cash provided by noncapital financing activities	<u>1,579</u>
Cash flows from investing activities	
Purchase of investment securities	(143,007,553)
Proceeds from sale and maturities of investment securities	142,981,837
Cash received from investment income	78,288
Net cash provided by investing activities	<u>52,572</u>
Net change in cash	<u>0</u>
Cash balances July 1, 1994	<u>0</u>
Cash balances June 30, 1995	<u>\$ 0</u>
Reconciliation of operating revenues over expenses to net cash provided by operating activities	
Operating revenues under expenses	\$ (79,215)
Adjustments to reconcile operating revenues under expenses to net cash used in operating activities:	
Change in assets and liabilities:	
Increase in operational accounts receivable	(28,072)
Increase in operational accounts payable	53,136
Total adjustments	<u>25,064</u>
Net cash used in operating activities	<u>\$ (54,151)</u>

See accompanying Notes to the Financial Statements.

Missouri State Employees' Retirement System Notes to the Financial Statements Year Ended June 30, 1995

(1) Plan Descriptions

Missouri State Employees' Plan

The Missouri State Employees' Plan (MSEP) is a single-employer, public employee retirement plan administered in accordance with Sections 104.010 and 104.320 to 104.800 of the Revised Statutes of Missouri (RSMo.). As established under Section 104.320, RSMo, "The Missouri State Employees' Retirement System shall be a body corporate and an instrumentality of the state. In the System shall be vested the powers and duties specified in Sections 104.010 and 104.320 to 104.800 and such other powers as may be necessary or proper to enable it, its officers, employees and agents to carry out fully and effectively all the purposes of Sections 104.010 and 104.320 to 104.800."

Responsibility for the operation and administration of the System is vested in the Missouri State Employees' Retirement System (MOSERS) Board of Trustees. Due to the nature of MOSERS' reliance on funding from the State of Missouri and the overall control of policies by State officials on the Board of Trustees, the MSEP is considered a part of the State of Missouri financial reporting entity and is included in the State's financial reports as a pension trust fund.

Substantially all full-time State employees who are not covered under another State-sponsored retirement plan are eligible for membership in MSEP. On June 30, 1995, membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	14,384
Terminated employees entitled to but not yet receiving benefits	10,595
Active:	
Vested	31,798
Non-vested	<u>18,726</u>
Total membership	<u><u>50,524</u></u> <u><u>75,503</u></u>

MSEP provides retirement, death and disability benefits to its members. Benefits for general State employees are fully vested after 5 years of creditable service (4 years for elected officials and 6 years for legislators). Employees may retire at or after age 55 and receive a reduced benefit (or full benefits if they are at least age 50 and their combined age and service equal 80). Cost of Living adjustments are provided annually based on 80% of the change in the Consumer Price Index with a floor of 4% and ceiling of 5%.

The State of Missouri is required to make all contributions to the MSEP. Prior to September 1, 1972, contributions by members were required. Accumulated employee contributions made prior to that time, plus interest, are refundable to the member or designated beneficiaries.

Administrative Law Judges and Legal Advisors Plan

The Administrative Law Judges and Legal Advisors Plan (ALJLAP) is a single-employer, public employee retirement plan administered in accordance with Sections 287.812 to 287.855, RSMo. Responsibility for the operation and administration of the System is vested in the MOSERS Board of Trustees. Due to the nature of MOSERS' reliance on funding from the State of Missouri and the overall control of policies by State officials on the Board of Trustees, the ALJLAP is considered a part of the State of Missouri financial reporting entity and is included in the State's financial reports as a pension trust fund.

Individuals appointed or employed as Administrative Law Judges or Legal Advisors of the Division of Workers' Compensation are eligible for membership in ALJLAP.

ALJLAP provides retirement, death and disability benefits to its members. Employees who retire on or after age 65 with 12 or more years of creditable service are eligible for a monthly retirement benefit equal to one-half of the highest salary received during the period of service. Employees with less than 12 years of service are eligible for a reduced benefit upon retirement. Cost of Living adjustments are provided annually based on 80% of the change in the Consumer Price Index with a floor of 4% and a ceiling of 5%. The State of Missouri is required to make all contributions to the ALJLAP. On June 30, 1995, membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	21
Terminated employees entitled to but not yet receiving benefits	11
Active:	
Vested	37
Non-vested	0
Total membership	69
	==

Judicial Plan

The Judicial Plan provides retirement, death and disability benefits to those serving as judges in the State of Missouri. Retirement benefits for members of the judiciary are administered and paid by MOSERS. Amounts paid are reimbursed monthly from appropriations of State funds and are not obligations of MOSERS.

Supreme Court judges who are at least age 65 with eight or more years of creditable service in that capacity (or age 60 with 12 years of creditable service) are eligible for retirement benefits equal to one-half of the salary provided by law at the time of retirement. Other judges are eligible for retirement benefits at age 62 with 12 years of creditable service equal to one-half of the salary paid to the judge in the highest court served. On June 30, 1995, membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	342
Terminated employees entitled to but not yet receiving benefits	67
Active:	
Vested	357
Non-vested	0
Total membership	766
	==

Missouri State Insurance Plan

The Missouri State Insurance Plan is accounted for as an internal service fund of the State of Missouri and is administered by MOSERS. It provides basic life insurance for eligible members of the Missouri State Employees' Retirement System (except employees of the Department of Conservation, the Division of Employment Security, Highway Department, Highway Patrol, and State Colleges and Universities), members of the Judicial Retirement Plan, legislators, statewide elected officials, and certain members of the Public School Retirement System; and Optional Life insurance for active employees and retirees. Beginning January 1, 1986, eligible members were covered by the Long-Term Disability Plan. Due to the nature of MOSERS' reliance on funding from the State of Missouri and the overall control of policies by State officials on the Board of Trustees, the Missouri State Insurance Plan is considered a part of the State of Missouri financial reporting entity and is included in the State's financial reports as an internal service fund.

(2) Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting

The financial statements of the MSEP, ALJLAP, Judicial Plan, and Missouri State Insurance Plan were prepared using the accrual basis of accounting. Employer and employee contributions are recognized as revenues in the period in which employee services are performed and expenses are recorded when the corresponding liabilities are incurred, regardless of when payment is made. The direct method of reporting cash flows is used.

Cash

Cash balances represent both operating cash accounts held by the banks and investment cash on deposit with the investment custodian. To maximize investment income, the float caused by outstanding checks is invested, thus causing a possible negative book balance. The negative book balance has been reflected in the liabilities section of the balance sheet of the Internal Service Fund. The negative book balance has been included in the cash and short-term investments on the Statements of Plan Net Assets of the pension trust funds. The following is a schedule of the aggregate book and bank balances of all cash accounts. All deposits are fully insured by the FDIC. In addition to the FDIC insurance coverage on the accounts of MOSERS, the following securities were pledged to MOSERS by the bank at June 30, 1995:

\$1,000,000 Federal Home Loan Bank Discount Note Maturity Date 7/18/95
\$1,000,000 Federal Home Loan Bank 4.57% Maturity Date 12/30/96

Cash Balances

<u>Pension Trust Funds</u>		<u>Internal Service Fund</u>	
Book	Bank	Book	Bank
\$(4,287,194)	\$(171,052)	\$(2,907)	\$447

Method Used to Value Investments

During 1995, MOSERS pension trust funds elected to make an early adoption of the provisions of the Governmental Accounting Standards Board (GASB) Statement Number 25, *"Financial Reporting for Defined Benefit Pension Plans and Note Disclosers for Defined Contribution Plans."* The provisions of this statement require restatement of prior year balances for the effect of changing from reporting investments at cost to reporting investments at fair value. The effect of the change in accounting principle on the beginning net assets held in trust for the pension benefits for MOSERS pension trust funds as previously reported was a decrease of \$53,918,361.

Investments of the internal service fund are reported at cost.

The following schedule provides a summary of the cost and market values of the investments as reported on the statements of net assets of the pension funds and balance sheet of the internal service fund. Market values for the equity real estate investments are based on appraisals performed. Market values of the venture capital investments are provided by Brinson Partners based on valuations of the underlying companies of the limited partnerships. Market value of the EAFE index fund is determined based on the underlying assets in the fund. The remaining assets are primarily priced by the investment custodian using the last trade price information as supplied by various price data vendors.

Investments

June 30, 1995

	Pension Trust Funds		Internal Service Fund		Total	
	<u>Cost</u>		<u>Market</u>		<u>(Memorandum Only)</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
CATEGORY 1 CLASSIFICATION						
Common stocks	\$1,192,818,959	\$1,436,458,486	\$ 0	\$ 0	\$1,192,818,959	\$1,436,458,486
Preferred stocks	610,471	680,287	0	0	610,471	680,287
Treasury bonds, notes and bills	363,444,117	379,164,811	0	0	363,444,117	379,164,811
Government bonds	239,254,597	247,937,457	0	0	239,254,597	247,937,457
Corporate bonds	169,072,513	179,190,277	0	0	169,072,513	179,190,277
Convertible bonds	2,096,263	2,174,250	0	0	2,096,263	2,174,250
Repurchase agreements	612,279	612,279	501,218	501,218	1,113,497	1,113,497
Subtotal	1,967,909,199	2,246,217,847	501,218	501,218	1,968,410,417	2,246,719,065
NOT SUBJECT TO CLASSIFICATION						
Short-term investment funds	50,812,521	50,812,521	891,443	891,443	51,703,964	51,703,964
Collateralized mortgage obligations	7,101,805	7,367,336	0	0	7,101,805	7,367,336
Guaranteed investment contracts	15,500,000	15,500,000	0	0	15,500,000	15,500,000
Real estate loans and mortgages	18,050,141	21,336,236	0	0	18,050,141	21,336,236
Real estate equity holdings	79,767,791	55,667,202	0	0	79,767,791	55,667,202
Closed-end real estate fund	9,472,315	7,523,546	0	0	9,472,315	7,523,546
EAFE index fund	233,365,704	240,182,016	0	0	233,365,704	240,182,016
Real estate investment trusts	5,256,388	4,970,900	0	0	5,256,388	4,970,900
Venture capital limited partnerships	25,651,534	21,495,654	0	0	25,651,534	21,495,654
FHA mortgages	596,780	555,340	0	0	596,780	555,340
Subtotal	445,574,979	425,410,751	891,443	891,443	446,466,422	426,302,194
Total	2,413,484,178	2,671,628,598	\$1,392,661	\$1,392,661	\$2,414,876,839	\$2,673,021,259
Reconciliation to investments on Statements of Net Assets						
Totals above	2,413,484,178	2,671,628,598				
<i>Less short-term investments:</i>						
Repurchase agreements	(612,279)	(612,279)				
Short-term investment funds	(50,812,521)	(50,812,521)				
Investment on Statements of Plan Net Assets	\$2,362,059,378	\$2,620,203,798				

Categories of Asset Risks

All investments are governed primarily by an investment authority known as the "prudent person rule." The "prudent person rule," as set forth by State statute, establishes a standard for all fiduciaries, which includes anyone who has authority with respect to the funds. The Governmental Accounting Standards Board Statement Number 3 requires disclosure of investment securities within the following three categories of credit risk. **Category 1** includes investments that are insured or registered or which are held by the System or its agent in the System's name. **Category 2** includes uninsured and unregistered investments which are held by the counterparty's trust departments or agent in the System's name. **Category 3** includes uninsured and unregistered investments which are held by the counterparty, its trust department, or agent, but not in the System's name.

A security, for purposes of classification in the above categories, is a transferable financial instrument that evidences ownership or creditorship. "Securities" do not include investments made with another party, real estate or direct investments in mortgages and other loans. Investments in open-end mutual funds, annuity contracts and guaranteed investment contracts are also not considered securities for purposes of credit risk classification. Such investments are shown above as "Not Subject To Classification."

Total Memorandum Only Columns

Total columns captioned "(Memorandum Only)" are to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Such data is not comparable to a consolidation since interfund eliminations have not been made.

Collateral for Securities on Loan

The pension trust funds participate in a securities lending program administered by Boatmen's Trust Company (the Custodian). Certain securities of the pension trust funds are loaned to participating brokers. Brokers who borrow the securities provide collateral, usually in the form of cash, valued at 102% of the market value of the securities on loan. Investment income and losses on securities loaned are recognized by the pension trust funds. The collateral is invested on behalf of the pension trust funds and the investment income from the invested collateral is shared 60/40 between the pension trust funds and the Custodian, representing their compensation for operating the program. The Custodian provides for full indemnification to the pension trust funds for any losses that might occur in the program due to the failure of a broker to return a security that was borrowed.

Office Building, Equipment, and Fixtures

Office building, equipment, and fixtures are capitalized at cost when acquired. Improvements which increase the useful life of the property are capitalized. Maintenance and repairs are charged to expense as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets according to the following schedule:

5 years for furniture, fixtures, equipment
40 years for building

(3) Contributions and Reserves

MSEP and ALJLAP are pension plans covering substantially all State of Missouri employees and administrative law judges and legal advisors of the Division of Workers' Compensation. The State of Missouri is obligated by State law to make all required contributions to the plans. The required contributions are expressed as a level percentage of covered payroll and are actuarially determined using an individual entry-age actuarial cost method. The prior service costs are amortized over 26 years for the MSEP and 29 years for the ALJLAP. The Judicial Plan is a non-funded or "pay-as-you-go" plan for which the State of Missouri reimburses MOSERS on a monthly basis for the benefits paid each month. Costs of administering the plans are financed from the assets of the pension trust funds.

(4) Other Post Employment Benefits (OPEB)

In addition to the retirement benefits provided through MOSERS, the State of Missouri also funds, either partially or in its entirety, OPEB for eligible retirees as follows:

Retiree Life Insurance

Retirees who retired on or after October 1, 1984, are eligible for \$5,000 of State-sponsored life insurance coverage if they retire directly from active employment. As of June 30, 1995, 5,205 retirees were eligible and participating in the program. The coverage is financed on a pay-as-you-go basis and is purchased as a group policy through competitive bids at a current cost of \$10.35 per month per eligible participant (\$606,696 for the year ended June 30, 1995). Premiums are paid entirely by the State as provided for by Section 104.515 RSMo.

(5) Plan Termination

MOSERS and its related plans are administered in accordance with Missouri Statutes. The statutes do not provide for termination of the plans under any circumstances.

(6) Contingencies

Real Estate

Included in MOSERS real estate investments is a property located in Saint Louis, Missouri which has been found to have hazardous substance contamination. MOSERS is currently participating in the Hazardous Substance Environmental Remediation Program administered by the Missouri Department of Natural Resources in order to delineate the scope and magnitude of the contamination and determine what appropriate remedial action is needed. Based on the available information, the System's management feels it is not reasonably possible to predict the amount of additional expense MOSERS may incur, or to predict the outcome of any possible cost recovery actions it may take against other parties. Accordingly, no provision has been made in the accompanying financial statements for this matter.

Required Supplementary Information Schedules of Funding Progress

Missouri State Employees Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)-Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 1995	\$ 2,649,077,134	\$ 3,150,796,580	\$ 501,719,446	84.1%	\$ 1,198,938,042	41.8%
June 30, 1994	2,425,134,504	2,919,456,425	494,321,921	83.1	1,124,862,008	43.9
June 30, 1993	2,236,558,739	2,447,222,060	210,663,321	91.4	1,063,246,615	19.8
June 30, 1992	1,991,215,165	2,291,583,890	300,368,725	86.9	1,030,240,894	29.2
June 30, 1991	1,793,370,043	2,052,600,760	259,230,717	87.4	1,027,719,059	25.2
June 30, 1990	1,587,114,827	1,861,365,216	274,250,389	85.3	994,228,494	27.6

Administrative Law Judges and Legal Advisors Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)-Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 1995	\$ 6,655,207	\$ 9,729,955	\$ 3,074,748	68.4%	\$ 2,166,275	141.9%
June 30, 1994	6,229,224	8,766,732	2,537,508	71.1	2,094,062	121.2
June 30, 1993	5,864,317	8,164,468	2,300,151	71.8	1,931,355	119.1
June 30, 1992	5,247,546	7,483,415	2,235,869	70.1	1,725,380	129.6
June 30, 1991	4,707,938	7,202,859	2,494,921	65.4	1,940,201	128.6
June 30, 1990	4,093,598	6,333,743	2,240,145	64.6	1,912,986	117.1

Judicial Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)-Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 1995	\$ 0	\$ 153,646,982	\$ 153,646,982	0.0%	\$ 27,984,008	549.1%
June 30, 1994	0	141,595,625	141,595,625	0.0	27,006,602	524.3
June 30, 1993	0	132,441,964	132,441,964	0.0	26,641,236	497.1
June 30, 1992	0	127,140,534	127,140,534	0.0	26,402,164	481.6
June 30, 1991	0	119,052,585	119,052,585	0.0	25,742,372	462.5
June 30, 1990	0	101,900,740	101,900,740	0.0	24,463,766	416.5

See Notes to the Schedules of Required Supplementary Information.

See accompanying Independent Auditors' Report

**Required Supplementary Information
Schedules of Employer Contributions**

Missouri State Employees Plan

Year Ended June 30		<u>Annual Required Contribution</u>	Percentage Contributed
	Percent	Dollar Amount	
1995	9.04%	\$ 108,902,372	100%
1994	9.49	106,681,308	100
1993	9.68	102,988,219	100
1992	9.65	100,672,145	100
1991	11.57	120,205,221	86
1990	11.32	112,211,887	87

Administrative Law Judges and Legal Advisors Plan

Year Ended June 30		<u>Annual Required Contribution</u>	Percentage Contributed
	Percent	Dollar Amount	
1995	22.50%	\$ 498,233	100%
1994	24.18	502,019	100
1993	27.77	548,707	100
1992	25.51	500,250	100
1991	26.61	527,648	100
1990	30.17	605,577	100

Judicial Plan

Year Ended June 30		<u>Annual Required Contribution</u>	Percentage Contributed
	Percent	Dollar Amount	
1995	40.85%	\$ 11,431,467	80%
1994	40.12	10,835,049	76
1993	40.93	10,904,258	71
1992	37.78	9,974,738	74
1991	35.55	9,151,413	56

Information prior to June 30, 1991 unavailable.

See Notes to the Schedules of Required Supplementary Information.

See accompanying Independent Auditors' Report

Missouri State Employees' Retirement System
Notes to the Schedules of Required Supplementary Information
June 30, 1995

Actuarial Methods and Assumptions for valuations performed June 30, 1995

The entry age normal actuarial cost method of valuation is used in determining liabilities and normal cost. Differences in the past between assumed experience and actual experience ("actuarial gains and losses") become part of actuarial accrued liabilities. Unfunded actuarial accrued liabilities are amortized using a level percent of payroll method. The amortization periods used for the June 30, 1995 valuations were: 26 years for the Missouri State Employees Plan (MSEP), 29 years for the Administrative Law Judges and Legal Advisors Plan (ALJLAP), and 40 years for the non-funded Judicial Plan. A three year moving average market value method is used to determine the actuarial value of assets. The investment return rate assumed is 8.5% per year, compounded annually (net after investment expenses). The inflation rate assumption used is 5% per year. Projected salary increase assumptions are based on 5% per year for wage inflation plus an additional .7% to 3.7% per year, depending on age, attributable to seniority and/or merit increases. The assumption used for post retirement benefit increases is 4.5% per year after retirement.

Significant factors affecting funding trends

1988 Legislation enacted setting the retirement contribution rate for the MSEP at 9.9% for fiscal years 1990 through 1993 unless total revenues (excluding unrealized appreciation of investments) were less than 375% of total expenses in any one year. The Board of Trustees voted to adopt the 9.9% beginning with fiscal year 1989. During 1988, the MSEP received approximately 2,700 members transferring from the Public School Retirement System and approximately 540 members transferring from the Lincoln University Employee Retirement System.

1989 The MSEP total revenues were less than 375% of total expenses for the fiscal year ended June 30, 1989. The Board of Trustees voted to keep the retirement contribution rate set at 9.9% through fiscal year 1993. During 1989 approximately 120 members transferred from the Public School Retirement System to the MSEP.

1990 The Board of Trustees approved a change in the investment return rate assumption from 8% to 8.5% beginning with the valuations performed as of June 30, 1990.

	<u>Amount</u>	<u>% of Payroll</u>
MSEP		
Change in assumptions	\$(16,205,924)	(1.63)%
Other experience and nonrecurring items	(2,883,263)	(.29)
ALJLAP		
Change in assumptions	(42,277)	(2.21)
Other experience and nonrecurring items	21,234	1.11

1991 The actuarial valuations as of June 30, 1991, reflected the following changes to the computed contribution rates for the fiscal year ended June 30, 1993.

	<u>Amount</u>	<u>% of Payroll</u>
MSEP		
Change in benefits	\$719,403	.07%
Other experience and nonrecurring items	(411,088)	(.04)
ALJLAP		
Other experience and nonrecurring items	43,849	2.26

1992 The actuarial valuations as of June 30, 1992, reflected the following changes to the computed contribution rates for the fiscal year ended June 30, 1994.

	<u>Amount</u>	<u>% of Payroll</u>
MSEP		
Change in benefits and assumptions	\$(4,017,939)	(.39)%
Other experience and nonrecurring items	2,060,482	.20
ALJLAP		
Change in assumptions	(23,293)	(1.35)
Other experience and nonrecurring items	(38,649)	(2.24)

1994 The actuarial valuations as of June 30, 1994, reflected the following changes to the computed contribution rates for the fiscal year ending June 30, 1996.

	<u>Amount</u>	<u>% of Payroll</u>
MSEP		
Change in benefits and assumptions	\$31,496,136	2.80%
Other experience and nonrecurring items	(12,935,913)	(1.15)
ALJLAP		
Change in benefits and assumptions	\$21,359	1.02
Other experience and nonrecurring items	(49,420)	(2.36)

Pension Trust Funds Ten Year Historical Data

Missouri State Employees Plan Additions By Source

Fiscal Year	Employer Contribution Rate	Employer Contributions as a % of Covered Payroll	Employer Contribution Amount	Employer Service Transfers	Member Payments for Purchasing Service Credit	State Reimbursements for Non-Funded Benefits	Net Investment Income	Other	Total
1995	9.04%	9.08%	\$ 108,902,372	\$ 170,081	\$ 753,984	\$ 0	\$ 393,915,517	\$ 0	\$ 503,741,954
1994	9.49	9.48	106,681,308	78,554	765,977	0	(15,865,184)	411,469	92,072,124
1993	9.68	9.69	102,988,219	117,466	547,961	0	293,481,441	6,047	397,141,134
1992	9.65	9.77	100,672,145	112,988	321,713	0	230,191,287	6,560	331,304,693
1991	9.90	10.01	102,854,950	8,459,034	446,286	0	95,945,092	9,569	207,714,931
1990	9.90	9.87	98,135,838	770,697	715,433	0	140,370,991	204,872	240,197,831
1989	9.90	9.96	89,177,022	4,274,011	376,701	407,569	209,858,847	20,901	304,115,051
1988	12.11	11.69	96,412,071	52,223,619	596,649	4,703,479	(11,094,897)	26,469	142,867,390
1987	10.00	10.39	71,969,009	0	143,670	11,666,327	119,961,219	(43,198)	203,697,027

Missouri State Employees Plan Deductions By Type

Fiscal Year	Benefits	Contribution Refunds	Service Transfers	Administrative	Total
1995	\$ 96,198,413	\$ 0	\$ 0	\$ 3,060,262	\$ 99,258,675
1994	84,482,785	1,598	16,252	3,336,941	87,837,576
1993	75,606,809	22,007	0	2,441,067	78,069,883
1992	67,850,658	12,508	0	2,333,634	70,196,800
1991	60,796,849	19,297	0	2,318,369	63,134,515
1990	54,720,308	11,169	0	1,831,797	56,563,274
1989	48,569,419	4,298	0	1,496,855	50,070,572
1988	39,050,127	25,889	0	1,180,163	40,256,179
1987	34,308,404	43,549	0	2,418,787	36,770,740

The above schedules were restated based on GASB Statement 25 and nine years of available data.

See accompanying Independent Auditors' Report.

Pension Trust Funds
Ten Year Historical Data

Administrative Law Judges and Legal Advisors Plan
Additions By Source

Fiscal Year	Employer Contribution Rate	Employer Contributions as a % of Covered Payroll	Employer Contribution Amount	Net Investment Income	Other	Total
1995	22.50%	23.00%	\$ 498,233	\$ 986,426	\$ 0	\$ 1,484,659
1994	24.18	23.97	502,019	(45,152)	1,056	457,923
1993	27.77	28.42	548,707	766,887	16	1,315,610
1992	25.51	29.00	500,250	601,626	0	1,101,876
1991	26.61	27.20	527,648	254,734	25	782,407
1990	30.17	31.66	605,577	387,076	530	993,183
1989	24.98	27.44	513,199	499,463	78	1,012,740
1988	24.98	25.50	359,066	(22,856)	105	336,315
1987	24.98	24.44	346,596	249,197	(89)	595,704

Administrative Law Judges and Legal Advisors Plan
Deductions By Type

Fiscal Year	Benefits	Administrative	Total
1995	\$ 600,650	\$ 7,663	\$ 608,313
1994	565,082	8,566	573,648
1993	502,310	6,401	508,711
1992	399,463	6,085	405,548
1991	317,374	6,045	323,419
1990	191,534	4,734	196,268
1989	163,327	3,734	167,061
1988	104,757	2,315	107,072
1987	52,983	5,025	58,008

The above schedules were restated based on GASB Statement 25 and nine years of available data.

See accompanying Independent Auditors' Report.

Pension Trust Funds Ten Year Historical Data

Judicial Plan Additions By Source

Fiscal Year	Employer Contribution Rate	Employer Contributions as a % of Covered Payroll	Employer Contribution Amount
1995	Non-funded	32.84%	\$ 9,188,599
1994	Non-funded	30.38	8,205,509
1993	Non-funded	29.01	7,728,160
1992	Non-funded	27.78	7,335,579
1991	Non-funded	25.53	6,572,690
1990	Non-funded	23.87	5,838,700
1989	Non-funded	22.69	5,142,127
1988	Non-funded	19.36	4,380,973
1987	Non-funded	16.49	3,572,635

Judicial Plan Deductions By Type

Fiscal Year	Benefits
1995	\$ 9,188,599
1994	8,205,509
1993	7,728,160
1992	7,335,579
1991	6,572,690
1990	5,838,700
1989	5,142,127
1988	4,380,973
1987	3,572,635

The above schedules were restated based on GASB Statement 25 and nine years of available data.

See accompanying Independent Auditors' Report.

**Internal Service Fund
Ten Year Historical Data**

Revenues By Source

Fiscal Year	Employer Contributions*	Member Contributions*	Investment Income	Other	Total
1995	\$ 0	\$ 0	\$ 79,215	\$ 14,469,012	\$ 14,548,227
1994	37,918,127	11,513,810	384,795	21,316,459	71,133,191
1993	62,080,566	21,380,567	693,202	28,716,294	112,870,629
1992	51,919,719	18,802,967	2,114,338	24,632,004	97,469,028
1991	48,641,390	16,954,753	2,191,155	26,469,021	94,256,319
1990	46,378,087	15,658,445	1,927,530	27,958,837	91,922,899
1989	45,111,161	15,548,221	898,264	23,238,515	84,796,161
1988	33,613,800	14,744,801	791,492	18,072,125	67,222,218
1987	26,841,381	13,697,408	1,180,017	14,743,260	56,462,066
1986	25,692,367	13,269,215	1,171,325	9,465,907	49,598,814

Expenses By Type

Fiscal Year	Medical Claims*	Administrative	Other	Total
1995	\$ 0	\$ 349,835	\$ 13,992,981	\$ 14,342,816
1994	23,005,156	3,336,388	21,047,548	47,389,092
1993	83,281,386	6,055,713	28,536,209	117,873,308
1992	83,674,959	5,291,117	24,617,635	113,583,711
1991	67,969,018	5,814,424	27,179,476	100,962,918
1990	49,407,467	4,933,409	27,743,836	82,084,712
1989	50,881,898	2,985,644	23,122,807	76,990,349
1988	54,210,305	3,279,229	17,471,794	74,961,328
1987	41,705,334	2,725,664	14,046,802	58,477,800
1986	41,637,796	1,688,469	9,327,275	52,653,540

* The Missouri State Employees Medical Care Plan operations were transferred to the Missouri Consolidated Health Care Plan January 1, 1994.

See accompanying Independent Auditors' Report.

**Missouri State Employees' Retirement System
Schedule of Administrative Expenses
Year Ended June 30, 1995**

	<u>Fiduciary Fund Type - Pension Trusts</u>			<u>Internal Service Fund</u>
	Missouri State Employees Plan	Administrative Law Judges & Legal Advisors Plan	Total	Missouri State Insurance Plan
Personal Service				
Salaries	\$ 1,253,855	\$ 3,140	\$ 1,256,995	\$ 128,308
Employee fringe benefits	331,972	831	332,803	34,027
Total personal service	1,585,827	3,971	1,589,798	162,335
Professional Services				
Investment services*	-	-	-	2,727
Actuarial services	120,167	301	120,468	10,400
Attorney services	22,491	56	22,547	36,633
Auditing services	25,162	63	25,225	2,675
Physical examinations	934	2	936	0
Banking services	13,920	35	13,955	703
Consulting services	80,548	202	80,750	5,506
Total professional services	263,222	659	263,881	58,644
Communications				
Postage and mailing	76,565	192	76,757	13,287
Telephone	26,359	66	26,425	2,700
Printing	83,308	209	83,517	10,483
Total communications	186,232	467	186,699	26,470
Building and Grounds				
Depreciation	29,792	75	29,867	0
Utilities	30,419	76	30,495	3,136
Maintenance	62,791	157	62,948	5,941
Total building and grounds	123,002	308	123,310	9,077
Equipment				
Depreciation	293,421	735	294,156	0
Maintenance	100,913	253	101,166	8,664
Rental	105,611	264	105,875	4,096
Reimbursed shared expenses	(41,805)	(105)	(41,910)	41,909
Gain on sale of equipment	(6,200)	(16)	(6,216)	0
Total equipment	451,940	1,131	453,071	54,669
Travel and Meetings				
Board travel and meetings	18,103	45	18,148	2,029
Staff travel and meetings	113,719	285	114,004	8,488
Vehicle maintenance and operation	1,943	5	1,948	208
Total travel and meetings	133,765	335	134,100	10,725
General				
Educational materials	12,267	31	12,298	929
Office supplies	121,913	305	122,218	11,227
Subscriptions and dues	37,378	94	37,472	1,641
Insurance	108,413	271	108,684	10,003
Miscellaneous	36,303	91	36,394	4,115
Total general	316,274	792	317,066	27,915
Total administrative expenses	\$ 3,060,262	\$ 7,663	\$ 3,067,925	\$ 349,835

* See pages 26 and 45 for Pension Trusts Investment Services Expense information.
See accompanying Independent Auditors' Report.

Schedule of Investment Service Fees
Year Ended June 30, 1995
(Unaudited)

	Pension Trust Funds	Internal Service Fund	Total (Memorandum Only)
Investment managers' fees			
<i>Fixed income managers</i>			
Black Rock Financial Management L.P.	\$ 142,089	\$ 0	\$ 142,089
Boatmen's Trust Company	240,211	1,410	241,621
Franklin, Spitz & Peters Investment Advisors, Inc.	69,331	0	69,331
Hoisington Investment Management Company	130,078	0	130,078
Mississippi Valley Advisors, Inc.	121,511	0	121,511
United Missouri Investment Counsel Service	47,897	0	47,897
<i>Equity managers</i>			
Bankers Trust Company	235,813	0	235,813
Capital Guardian Trust	169,273	0	169,273
Chancellor Capital Management, Inc.	561,192	0	561,192
General American Investment Management Company	95,516	0	95,516
Independence Investment Associates	236,330	0	236,330
Investment Advisors, Inc.	330,728	0	330,728
Kennedy Capital Management	385,229	0	385,229
Montgomery Asset Management	344,526	0	344,526
Seneca, Inc.	173,155	0	173,155
Wilshire Associates, Inc.	305,610	0	305,610
Woodford Capital Management	153,762	0	153,762
<i>Venture capital manager</i>			
Brinson Partners, Inc.	248,986	0	248,986
Total investment managers' fees	3,991,237	1,410	3,992,647
Other investment service fees			
<i>Custodian fees</i> - Boatmen's Trust Company	384,569	1,317	385,886
<i>Security lending fees</i> - Boatmen's Trust Company	271,526	0	271,526
<i>Investment consultant fees</i> - Summit Strategies, Inc.	210,000	0	210,000
Total other investment service fees	866,095	1,317	867,412
Total investment service fees	\$ 4,857,332	\$ 2,727	\$ 4,860,059

Missouri State Employees' Retirement System
Investment Summary
Pension Trust Funds
Year Ended June 30, 1995

Type of Investment	June 30, 1994				June 30, 1995		
	Book Value	Market Value	Purchases	Sales and Redemptions	Book Value	Market Value	% Total Market
Fixed Income							
Treasury bonds, notes and bills	\$ 653,824,412	\$ 621,069,200	\$ 454,547,585	\$ 744,927,880	\$ 363,444,117	\$ 379,164,811	14.19%
Government bonds	199,591,023	191,448,106	689,567,417	649,903,843	239,254,597	247,937,457	9.28
FHA mortgages	974,308	923,509	0	377,528	596,780	555,340	0.02
Corporate bonds	214,019,750	209,443,830	186,763,011	231,710,248	169,072,513	179,190,277	6.71
Convertible bonds	2,155,630	2,155,630	0	59,367	2,096,263	2,174,250	0.08
Collateralized mortgage obligations	3,265,767	3,221,211	5,746,759	1,910,721	7,101,805	7,367,336	0.28
Guaranteed investment contracts	21,500,000	21,500,000	0	6,000,000	15,500,000	15,500,000	0.58
Total fixed income	1,095,330,890	1,049,761,486	1,336,624,772	1,634,889,587	797,066,075	831,889,471	31.14
Common stocks	1,060,838,716	1,078,020,320	654,891,068	522,910,825	1,192,818,959	1,436,458,486	53.77
Preferred stocks	808,713	704,026	2,581	200,823	610,471	680,287	0.03
EAFFE index fund	0	0	357,733,092	124,367,388	233,365,704	240,182,016	8.99
Real Estate							
Loans and mortgages	18,143,768	19,823,562	0	93,627	18,050,141	21,336,236	0.80
Equity holdings	78,769,811	56,147,110	1,485,583	487,603	79,767,791	55,667,202	2.08
Closed-end real estate fund	9,472,315	7,057,527	0	0	9,472,315	7,523,546	0.28
Real estate investment trusts	7,158,385	6,993,913	1,593,681	3,495,678	5,256,388	4,970,900	0.19
Total real estate	113,544,279	90,022,112	3,079,264	4,076,908	112,546,635	89,497,884	3.35
Venture capital limited partnerships	28,294,290	26,390,583	258,544	2,901,300	25,651,534	21,495,654	0.80
Investments	2,298,816,888	2,244,898,527	2,352,589,321	2,289,346,831	2,362,059,378	2,620,203,798	98.08
Short-term investments							
Short-term investment funds	666,857,556	666,857,556	3,074,054,199	3,690,099,234	50,812,521	50,812,521	1.90
Commercial Paper	0	0	88,620,984	88,620,984	0	0	0.00
Repurchase agreements	5,319,921	5,319,921	3,904,587,953	3,909,295,595	612,279	612,279	0.02
Total short-term investments	672,177,477	672,177,477	7,067,263,136	7,688,015,813	51,424,800	51,424,800	1.92
Total investments	\$2,970,994,365	\$2,917,076,004	\$9,419,852,457	\$9,977,362,644	\$2,413,484,178	\$2,671,628,598	100.00%

See accompanying Independent Auditor's Report.

Note: Due to space limitations and printing costs, a detailed listing of the investment holdings and transactions could not be provided in this annual report; however, the detailed reports are available for review as an appendix to this report at the MOSERS office.

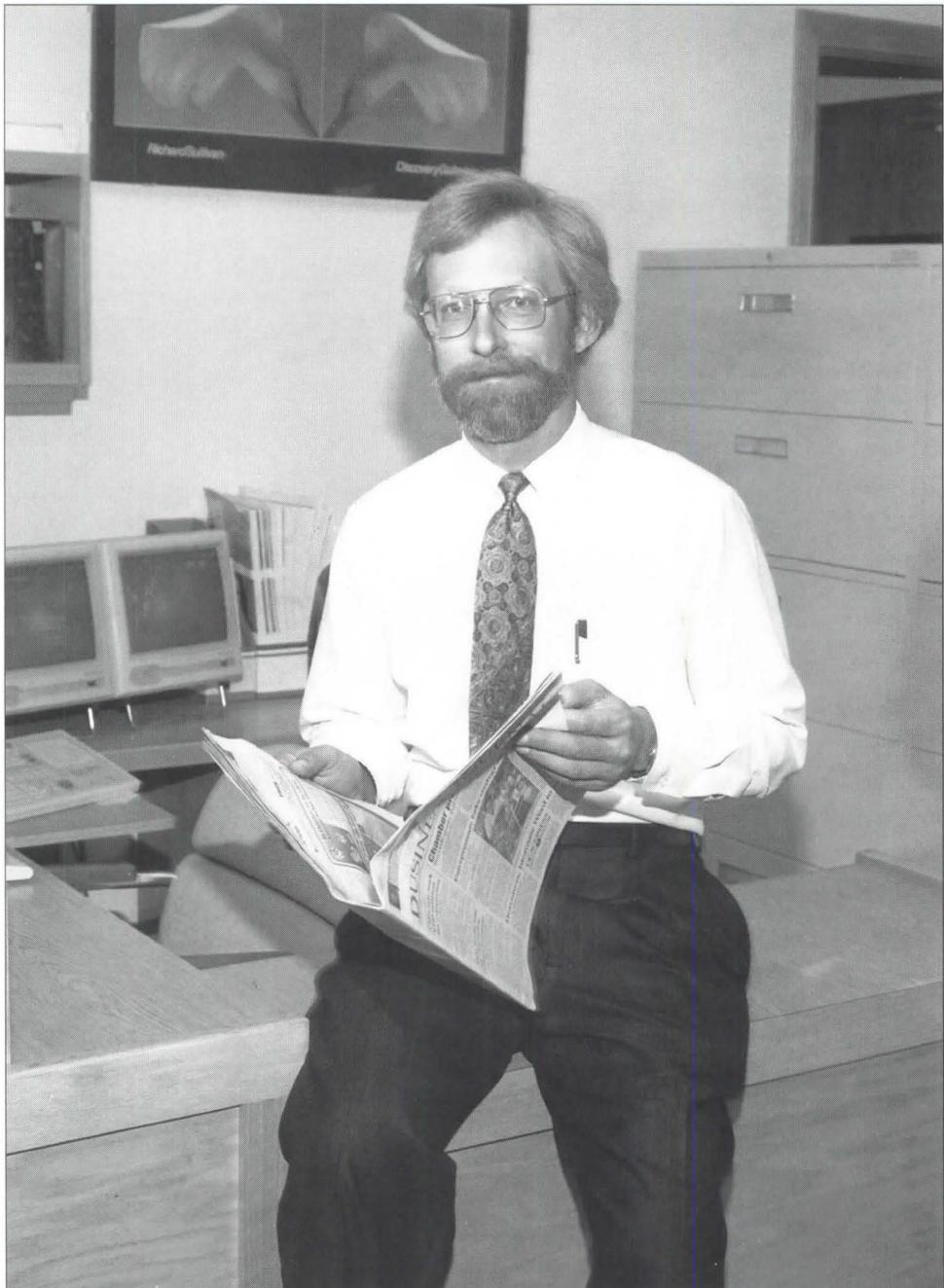
Reconciliation to net investment portfolio assets							
Total investments	\$2,970,994,365	\$2,917,076,004			\$2,413,484,178	\$2,671,628,598	
Investment cash	17,327,493	17,327,493			148,375	148,375	
Accrued interest and dividends	18,504,856	18,504,856			15,887,702	15,887,702	
Accounts receivable - securities sold	292,201,693	292,201,693			146,294,744	146,294,744	
Account payable - securities purchased	(289,087,563)	(289,087,563)			(30,534,350)	(30,534,350)	
Liability for security lending collateral	(558,973,440)	(558,973,440)			(446,627)	(446,627)	
Liability for real estate escrow deposits	(101,015)	(101,015)			(109,558)	(109,558)	
Liability for real estate security deposits	(278,790)	(278,790)			(278,789)	(278,789)	
Local bank repos	(427,515)	(427,515)			(612,279)	(612,279)	
Net investment portfolio assets	\$2,450,160,084	\$2,396,241,723			\$2,543,883,396	\$2,801,977,816	

**Missouri State Insurance Plan
Investment Summary
Internal Service Fund
Year Ended June 30, 1995**

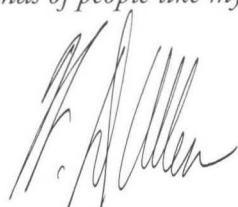
Type of Investment	June 30, 1994				June 30, 1995		
	Book Value	Market Value	Purchases	Sales and Redemptions	Book Value	Market Value	% Total Market
Short-term investment funds	\$ 814,831	\$ 814,831	\$ 16,045,743	\$ 15,969,131	\$ 891,443	\$ 891,443	64.01%
Repurchase agreements	552,113	552,113	126,961,811	127,012,706	501,218	501,218	35.99
Total investments	\$1,366,944	\$1,366,944	\$143,007,554	\$142,981,837	\$1,392,661	\$1,392,661	100.00%

See accompanying Independent Auditors' Report.

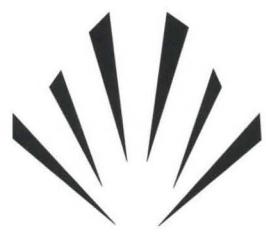
Note: Due to space limitations and printing costs, a detailed listing of the investment holdings and transactions could not be provided in this annual report; however, the detailed reports are available for review as an appendix to this report at the MOSERS office.



*"Being both an employee and a member of the System,
I derive a great deal of job satisfaction from being directly involved
in the activity which will contribute to the future financial security
of thousands of people like myself."*



*W.D. Allen
Investment Analyst*



**Investment
Section**

Investment Consultant's Report



Summit Strategies, Inc.

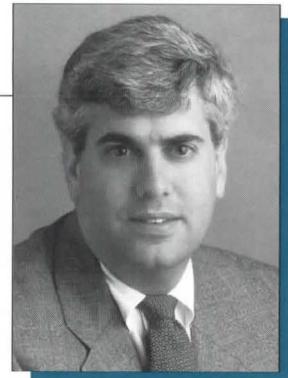
7700 Bonhomme Ave.

Suite 300

St. Louis, MO 63105

314-727-7211

314-727-6068 Fax



Steve Holmes
Investment Consultant

October 1, 1995

The Board of Trustees
Missouri State Employees' Retirement System
906 Leslie Boulevard
Jefferson City, MO 65101

The year ended June 30, 1995 was an extraordinary year for the Missouri State Employees' Retirement System, both in terms of asset growth and evolution of the investment program.

With regard to asset growth, your fund grew by almost \$406 million during the course of the year from just under \$2.4 billion to over \$2.8 billion. While contributions, net of benefits and expenses, amounted to \$5.6 million, the investment portfolio returned over \$400 million during the year. The return on all assets for the year was 17.2%, ranking MOSERS in the top 40% of all pension funds. For the last five years the assets have compounded at 9.6% and, for the last ten years, the fund had compounded at 11.5%. The period from 1982 through the present has been the most generous period in the history of financial assets and the MOSERS' Fund has participated well in this "Bull Market".

Regarding evolution of the fund, many material changes were made during the fiscal year. Since the last annual report, the System has named a Chief Investment Officer, introduced a new custodian, realigned the fixed income portfolio, introduced an internal investment program, and added substantially to its equity portfolio through an increased allocation to international equities. All of these changes have increased the diversification of the Fund and have been implemented in such a way as to greatly enhance efficiency and reduce the cost to the System of maintaining an investment program.

The following elaborates on key transitional activity approved by the Board during the fiscal year:

Fixed Income Portfolio

For any long-term investor, such as a pension fund, the role of fixed income is to provide stability and income to the total portfolio. While MOSERS' fixed income portfolio has been an exceptional source of return for the last decade, it has been anything but stable. In 1995 the portfolio was reconstructed so that stability and income are now truly the focus. In addition, the manager structure was streamlined resulting in an annual savings in management fees of nearly \$700,000. This program was implemented in December of 1994 and its first seven months of existence delivered results which were exactly in line with expectations.

International Investing

On a daily basis the news media reminds us that we are clearly operating in a global environment - the financial world is no exception. In 1995, the board increased the target allocation to international equities from 10% to 15% and moved significantly toward that new target by investing over 13% of the portfolio, approximately \$370 million, in an international index fund. A meaningful allocation such as this adds substantially to the diversification of the portfolio. In early FY 96, the international allocation will be divided evenly between the current index fund and an active manager.

Custodian

In 1995, Bankers Trust Company was selected to serve as the custodian for the System's assets. The selection of Bankers Trust was the result of an exhaustive search process which involved every major custodian banking operation in the United States. Substantial Board and staff time were dedicated to this activity and, by selecting Bankers Trust, MOSERS has teamed up with one of the leading edge providers of custody services in the world. This greatly enhanced the flexibility and customization of the information delivery systems which will be needed as the Fund grows in both size and investment sophistication.

In our view at Summit Strategies, the MOSERS' Board has assembled a first class team that takes great pride in assuring that the Fund remains in the forefront of retirement plan investment activity. We take personal pride in MOSERS, its structure, and ability to assure the retirement benefits of over 70,000 fellow Missourians.

Sincerely,



Stephen P. Holmes, CFA
Managing Director, Consulting

Chief Investment Officer's Report



Missouri State Employees' Retirement System



October 1, 1995

Rick Dahl
Chief Investment Officer

Dear Members:

Fiscal Year (FY) 95 was a very good year for MOSERS' investments. The System's assets earned 17.2% while the average pension fund in our peer group earned 16.7%. It was also a year which reinforced our beliefs about the following related basic characteristics of a successful investment program:

- ◆ Investors with long-term time horizons are wise to make investment decisions based on big picture, long-term views, avoiding short-term mood swings in the market place.
- ◆ When investors are moving to the sidelines due to a less than optimistic view of the future, more often than not the markets will reward the investor who sticks to a disciplined approach of being fully invested. In other words, it is prudent to avoid making decisions on the basis of investor conventional wisdom which, with great frequency, is incorrect.

For example, investor sentiment in late December of 1994 was generally pessimistic -- the bond market was experiencing its largest single drop in modern financial history and stock returns for the year were below historical averages. Around year-end it would have been difficult to find anyone who was particularly optimistic about near-term financial markets. However, looking back, we see that the investors who stuck to their long-term convictions were generously rewarded. In the first two calendar quarters of 1995 stocks rose nearly 20% and bonds increased over 11%. By being fully invested and very close to our asset allocation targets, MOSERS participated extensively in this market advance. Approximately 85% of our return in FY 95 was achieved during the last two quarters of the fiscal year.

While this has been a very good year, it certainly should not be expected that this type of performance could be sustained for an extended period of time. As an investment professional, I welcome years such as FY 95 as a reward for a patient, disciplined approach to involvement in the financial markets. Basically, our investment program is driven by the historical truth that says: "over long periods of time the good years will outweigh the bad years, however, it is virtually impossible to predict when these periods of over and under performance will occur, and in order to fully participate, we must maintain our discipline of being fully invested."

Because of our long-term focus and the commitment to remain fully invested, you, the members of MOSERS, can be assured over the long-term, that the returns generated on the investment portfolio will be a meaningful contributor toward the assets needed to pay your retirement benefits.

Sincerely,

Rick Dahl

Richard H. Dahl, CFP
Chief Investment Officer

Investment Portfolio Assets
Year Ended June 30, 1995

	Market Value June 30, 1994	Net Flows In/Out of Sector	Income Earned	Change Market Value	Market Value June 30, 1995	Percent of Total Fund
Passive domestic equity investments						
Domestic large cap	\$ 695,867,567	\$ (121,965,025)	\$ 18,865,282	\$ 124,821,844	\$ 717,589,668	25.61%
Domestic small cap	185,459,906	3,104,799	3,791,423	38,870,127	231,226,255	8.25
Total domestic passive equity investment	881,327,473	(118,860,226)	22,656,705	163,691,971	948,815,923	33.86
Active domestic equity investments						
Domestic large cap	231,743,691	7,215,680	5,692,158	56,255,150	300,906,679	10.74
Domestic small cap	153,571,610	16,871,427	3,106,832	27,871,628	201,421,497	7.19
Total domestic active equity investments	385,315,301	24,087,107	8,798,990	84,126,778	502,328,176	17.93
International equity investments						
EAFFE index fund	0	359,434,074	9,988	8,737,997	368,182,059	13.14
Total equity investments	1,266,642,774	264,660,955	31,465,683	256,556,746	1,819,326,158	64.93
Fixed income investments						
Government bonds	773,921,193	(390,720,108)	17,202,476	35,233,187	435,636,748	15.55
Corporate bonds	85,131,331	65,107,247	5,915,186	14,202,240	170,356,004	6.08
Mortgage backed securities	108,348,967	109,451,326	9,206,863	14,542,402	241,549,558	8.62
Total fixed income investments	967,401,491	(216,161,535)	32,324,525	63,977,829	847,542,310	30.25
Real estate investments						
Equity real estate	63,506,696	(12,961,636)	5,651,570	2,622,799	58,819,429	2.10
Notes and mortgages	19,823,562	(2,031,156)	1,937,529	1,606,301	21,336,236	0.76
Commingled fund	7,057,527	0	0	466,019	7,523,546	0.27
Total real estate investments	90,387,785	(14,992,792)	7,589,099	4,695,119	87,679,211	3.13
Other investments						
MOSERS illiquid assets*	22,423,509	(4,438,155)	970,977	2,238,877	21,195,208	0.76
Venture capital	26,816,127	(6,914,821)	5,096,214	(2,251,722)	22,745,798	0.81
Cash reserve	22,570,037	(19,977,919)	897,013	0	3,489,131	0.12
Total other investments	71,809,673	(31,330,895)	6,964,204	(12,845)	47,430,137	1.69
Total portfolio value	\$2,396,241,723	\$ 2,175,733	\$ 78,343,511	\$ 325,216,849	\$2,801,977,816	100.00%

* This account includes GICs and FHA mortgages

Strategic Review

Introduction

The members of the MOSERS Board of Trustees have exclusive jurisdiction over and ultimate fiduciary responsibility for the investment of System assets. In carrying out their responsibilities they must adhere to State law with respect to the duties of investment fiduciaries. Accordingly, they are required to "discharge their duties in the interest of plan participants" and "act with the same care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a similar capacity and familiar with those matters would use in the conduct of a similar enterprise with similar aims."

For purposes of clarity and brevity in stating their goals and objectives with regard to investments, the Board has adopted the following Guiding Principles:

Principles Guiding MOSERS' Investment Activity

- ◆ Preserve the long-term corpus of the fund.
- ◆ Maximize total return within prudent risk parameters.
- ◆ Act in the exclusive interest of the Members of the System.

From the perspective of funding System benefits, the Board has established, as a long term goal, the achievement of a *real rate of return* of at least 3.5% per year where the real rate of return is defined as the rate by which the long-term total return on System assets exceeds the long-term inflation rate.

As can be seen from the chart at the top of page 58, this long term objective continues to be achieved. However, to improve upon this effort, the Board adopted a number of adjustments to the System's investment strategy during the year.

Investment Strategy Adjustments

Investment strategy adjustments during the year included the following:

1. Revisions to asset allocation targets.
2. Restructuring the fixed income portfolio.
3. Reorganizing internal investment staff.
4. Commencing internal management of a portion of the fixed income portfolio.
5. Establishment of an Investment Oversight Committee.
6. Development of revised cash management guidelines.
7. Alterations to the approach to real estate investing.
8. Becoming more proactive in negotiating management fees and brokerage commissions.
9. Adoption of portfolio rebalancing procedures.
10. International equity investing.

Detail regarding each of these strategic adjustments follows:

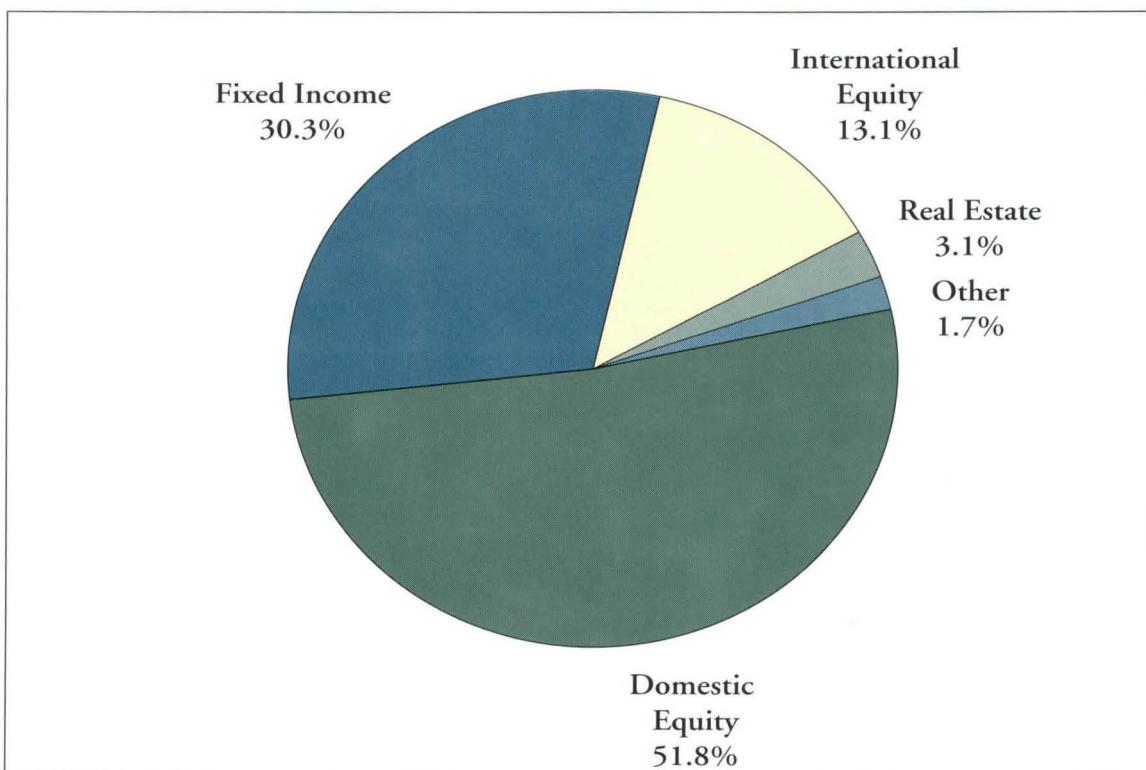
Asset Allocation:

It is a well established principal of investment activity that asset allocation will be the primary determinant of investment results. Following an extensive review of the risk/reward characteristics of various allocation models and an examination of the System's likely cash flow demands, the Board made the following adjustments to the System's asset allocation model:

<u>Asset Class</u>	<u>Previous Model</u>	<u>Current Model</u>
Domestic Equity	47%	50%
International Equity	<u>10</u>	<u>15</u>
Total Equity	<u>57</u>	<u>65</u>
Domestic Fixed Income	30	30
Real Estate	8	5
Venture Capital	3	0
Cash and Equivalents	2	0

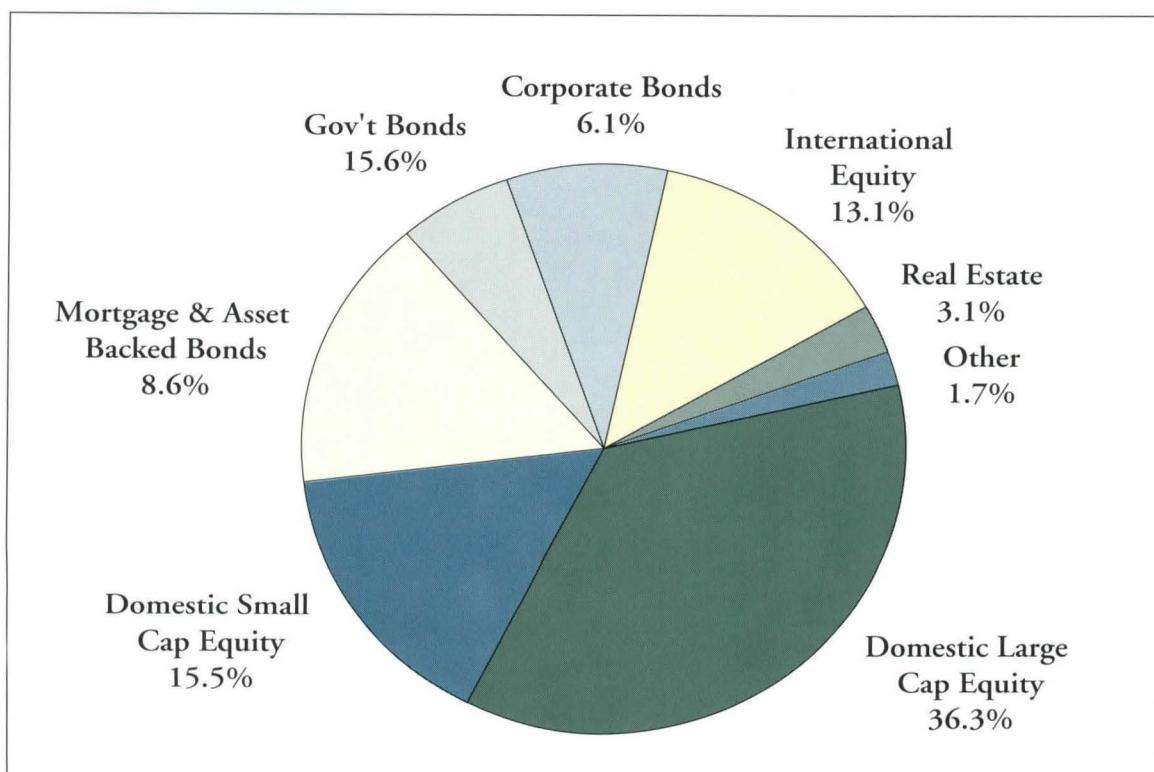
The following charts illustrate the system's asset allocation by asset and sub-asset class on June 30, 1995.

Allocation by Asset Class



Other - includes Cash, Venture Capital, FHA Mortgages, and GICs.

Allocation by Sub-Asset Class



Other - includes Cash, Venture Capital, FHA Mortgages, and GICs.

Investment Section

Fixed Income Portfolio Restructuring

In a well diversified investment portfolio, the fixed income component is intended to provide stability and positive cash flow. The Board made the decision to restructure the fixed income portfolio such that, in large part, it will reflect the broad market of fixed income securities represented by the Lehman Aggregate Bond Index. As a result of this restructuring, the composition of the MOSERS fixed income portfolio is now as follows:

U.S. Government and Agency Securities	50%
Mortgage Backed and Asset Backed Securities	30
Corporate Securities	20

In the implementation of this new structure, the number of external fixed income managers was reduced from five to three and fixed income management fees were reduced by nearly \$700,000 per year.

A key determinant of fixed income investment results will be the duration of the portfolio. (Duration is a measure of the sensitivity of the portfolio to changes in interest rates in general.) By virtue of this new structure, the MOSERS fixed income portfolio will have a duration equivalent to the duration of the broad market index, plus or minus one year -- a much narrower band around the broad market than existed prior to the restructuring.

Reorganization of Internal Investment Staff

Reorganization of the internal investment staff included appointment of a Chief Investment Officer and consolidation of the internal real estate investment staff with the general investment staff, resulting in a net reduction of two staff positions and a related savings in staff salaries. As a result of this restructuring, the internal investment staff is now organized as follows:



Internal Asset Management

In connection with the restructuring of the fixed income portfolio, an in-house investment program was initiated. Staff has responsibility for investing 80% of the U.S. Government and Agency security portion of the fixed income portfolio, which means that staff is now responsible for investing 12% of the total portfolio. The objective of the in-house program is to replicate the results of the broad market of Government/Agency securities. This program was initiated December 1, 1994. During the first seven months of operation, the internally managed portfolio had a return for the period of 11.92% while the broad market index had a return of 11.88% for the same period. This program significantly reduced the management fees associated with fixed income investing.

Investment Oversight Committee

With the advent of the internal investment program, the Board established the Investment Oversight Committee. The primary role of this Committee is to monitor the activity of staff with respect to the implementation and operation of the internal investment program. Additionally, this Committee has responsibility for the master custodian relationship, the cash management program, the securities lending program, and proxy voting issues.

Cash Management Guidelines

During the course of the year the focus of media attention in the business community was on financial problems related to the use of derivative products which reacted unfavorably to rising interest rates. The Board took early action to modify the System's cash management guidelines, thus precluding investment in these types of products. As a result, the System sustained no principal losses due to problematic derivatives.

Real Estate Investing

Over the last several years, real estate has not been in favor for institutional investors. As part of the asset allocation study conducted this year, the Board reduced the System's real estate allocation target from 8% to 5% of the total investment portfolio. Additionally, the Board made the decision to dispose of the System's direct holdings in real estate and seek real estate exposure through other vehicles. This program was well underway by the end of the fiscal year.

Management Fee and Brokerage Commission Negotiations

As part of the ongoing effort to reduce fees associated with operation of the investment portfolio, the Board initiated an aggressive program of negotiating management fees and brokerage commission rates. The restructuring of the fixed income portfolio presented an opportunity for such negotiations and the result was a significant reduction in fees. Additionally, arrangements were made with a number of discount brokerage organizations to execute common stock transactions at rates substantially below the rates previously in effect. Efforts to further reduce management fees will be continued through the next fiscal year.

Portfolio Rebalancing

As was mentioned earlier, the outcome of any investment program will be largely dependent on the allocation of the portfolio to the various classes of investments available in the market place. Once established and achieved, it is important that a mechanism be in place to rebalance the portfolio periodically as market activity causes the portfolio to stray from the model. Such rebalancing must be done with due regard for transaction costs. In connection with the adoption of a revised investment policy this year, the Board adopted the following rebalancing triggers to assure reasonable, cost effective, adherence to the model:

Asset Class	Allocation	Upper Limit	Lower Limit
Domestic Equity	50.00%	55.00%	45.00%
International Equity	15.00	16.50	13.50
Domestic Fixed Income	30.00	33.00	27.00

The portfolio will be rebalanced anytime the allocation to any class goes outside the limits established.

International Equity Manager

Exposure to international equities was first gained this year through the use of an EAFE index fund. The EAFE index consists of securities of companies domiciled in Europe, Australia, and the Far East. At the time the allocation to international equities was made, it was also decided that a search would be conducted for an active international equity manager to manage a portion of this portfolio. The search was completed in June and, effective July 1, 1995, Silchester International Investors will be responsible for management of half of the international equity portfolio.

Change in Master Custodian

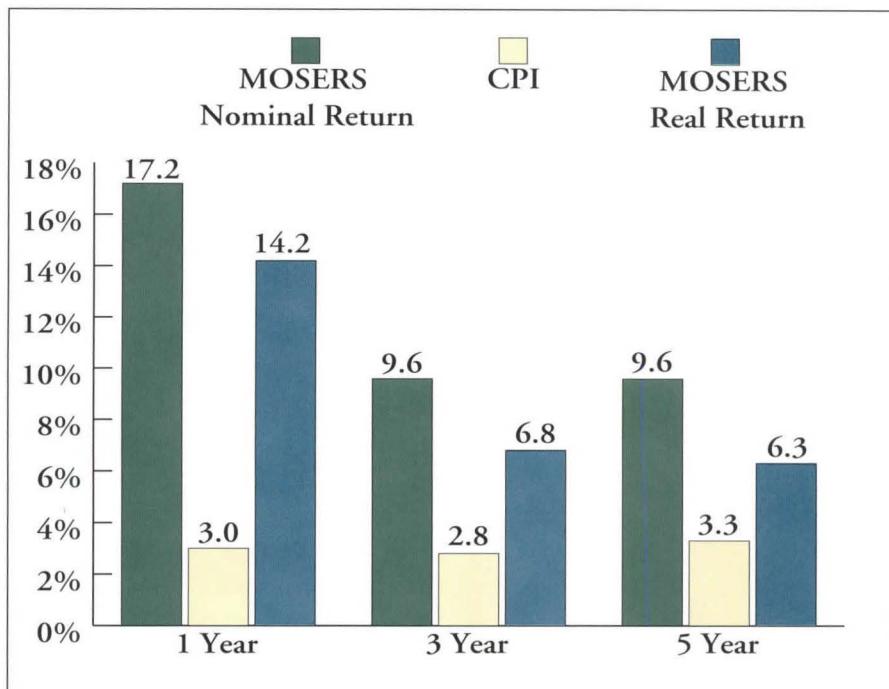
During the year the investment staff conducted an extensive review of the services available from the major providers of master custody services. As the result of a report to the Board on this subject, interviews were conducted and the Board elected to employ Banker's Trust Company to provide the System with master custody, cash management, and securities lending services effective July 1, 1995. In addition to seeing improvements in the technological features of the services available, this move will result in a reduction in fees related to these services and anticipated increases in revenues from the System's securities lending program.

Investment Results

The evaluation of investment performance requires the examination of investment activity from a number of vantage points. For example, individual investment manager performance is measured relative to a relevant market index; composite portfolio investment return and asset class results are evaluated by comparing our portfolio's return to the return of an accepted benchmark which would have been available from a passively managed portfolio consisting of the same classes of securities structured in a fashion similar to our asset allocation model; and, from a funding perspective, total return is compared with the rate of inflation to arrive at a measure of real return. In all cases, it is very difficult to draw valid conclusions from examination of a period as short as one year.

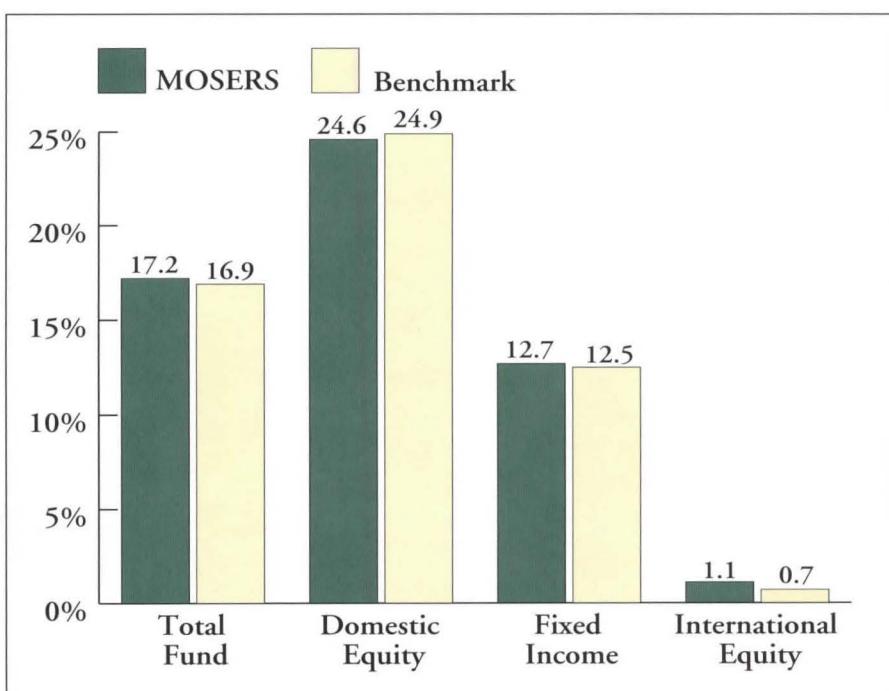
The following charts illustrate the System's investment results for various periods compared with various performance indicators:

MOSERS' Return vs. Consumer Price Index



CPI used to indicate long term inflation rate.
 MOSERS Real Return is the excess return over this indicator.
 MOSERS objective is 3.5%.

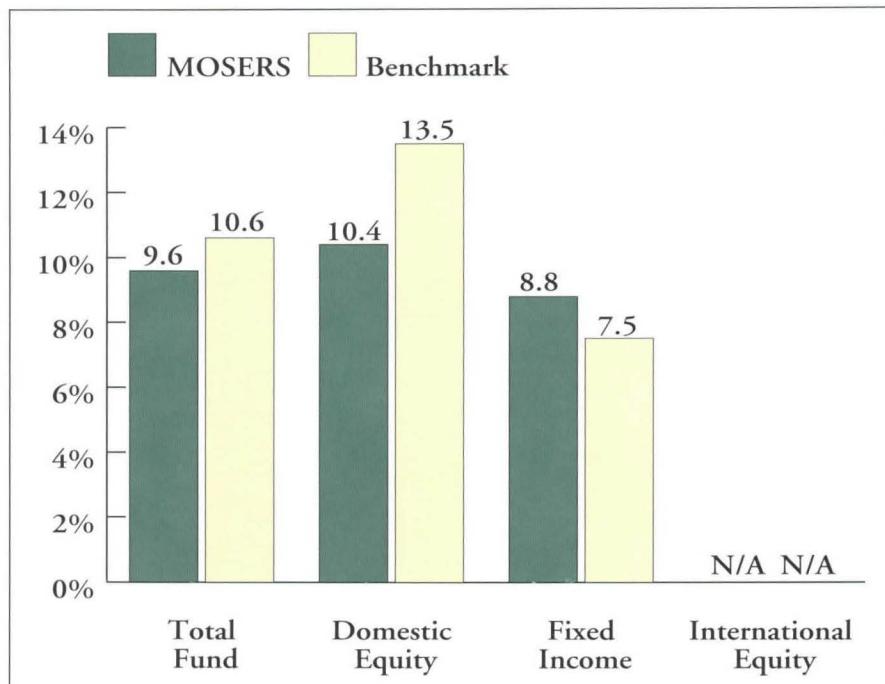
One Year Annualized Return's (FY 1995)



Total Fund Benchmark: - 50% Russell 3000, 15% EAFE,
 30% Lehman Aggregate, 5% Russell NCRIEF

Asset Class Benchmarks:
 Domestic Equity - Russell 3000
 Fixed Income - Lehman Aggregate
 International Equity - MSCI EAFE

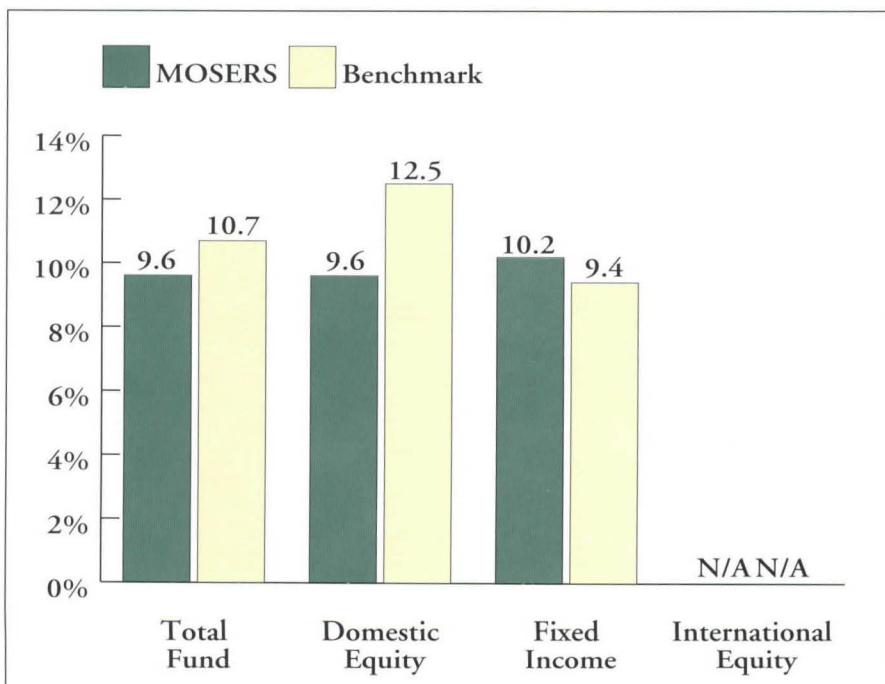
Three Year Annualized Returns (FY 1993 - 1995)



Total Fund Benchmark: - 54% Russell 3000, 42% Lehman Aggregate,
4% Russell NCRIEF

Asset Class Benchmarks:
Domestic Equity - Russell 3000
Fixed Income - Lehman Aggregate

Five Year Annualized Returns (FY 1991 - 1995)



Total Fund Benchmark: - 54% Russell 3000, 42% Lehman Aggregate,
4% Russell NCRIEF

Asset Class Benchmarks:
Domestic Equity - Russell 3000
Fixed Income - Lehman Aggregate

Schedule of Ten Largest Equity Holdings
June 30, 1995

Shares	Description	Cost	Market	% of Total Portfolio
411,600	Exxon Corporation	\$ 25,266,320	\$ 29,069,250	1.03%
331,000	General Electric Corporation	12,960,650	18,660,125	.66
228,000	Philip Morris Companies Incorporated	13,318,796	16,957,500	.60
267,200	Intel Corporation	7,103,887	16,917,234	.60
271,133	AT & T Corporation	11,871,785	14,370,049	.51
264,800	Merc & Company Incorporated	10,997,104	13,008,300	.46
202,700	Coca Cola Company	7,520,450	12,922,125	.45
134,000	Microsoft Corporation	8,120,327	12,110,250	.43
396,000	Ford Motor Company	10,583,729	11,781,000	.42
165,600	Amoco Corporation	9,105,567	11,033,100	.39
Totals		\$116,848,615	\$156,828,933	5.55%

Schedule of Ten Largest Fixed Income Holdings
June 30, 1995

Par Value	Security	Coupon/ Maturity	Cost	Market	% of Total Portfolio
\$ 43,378,000	U.S. Treasury Bond	6.25% due 8/15/23	\$ 41,563,512	\$ 40,971,822	1.46%
36,500,000	Government National Mortgage Association	8% due various 2025	37,514,844	37,521,000	1.33
30,363,403	Federal Home Loan Mortgage Corporation	8% due various 2022-25	30,412,695	30,932,717	1.10
27,009,000	U.S. Treasury Bond	7.5% due 11/15/24	27,602,892	29,883,028	1.06
26,884,065	Government National Mortgage Association	8.50% due various 2016-17	26,673,510	28,129,709	1.00
24,000,000	U.S. Treasury Note	8.75% due 10/15/97	27,332,200	25,454,880	.90
25,000,000	U.S. Treasury Note	4.375% due 11/15/96	23,949,349	24,535,250	.87
22,500,000	U.S. Treasury Note	6.875% due 2/28/97	22,608,984	22,865,625	.81
23,000,000	U.S. Treasury Note	4.75% due 9/30/98	20,980,938	22,187,870	.79
16,000,000	U.S. Treasury Note	8.00% due 10/15/96	16,312,500	16,424,960	.58
	Totals		\$274,951,424	\$278,906,861	9.90%

Schedule of Investment Service Fees
Year Ended June 30, 1995

Investment managers' fees

Fixed income managers

Black Rock Financial Management L.P.	\$ 142,089
Boatmen's Trust Company	240,211
Franklin, Spitz & Peters Investment Advisors, Inc.	69,331
Hoisington Investment Management Company	130,078
Mississippi Valley Advisors, Inc.	121,511
United Missouri Investment Counsel Service	47,897

Equity managers

Bankers Trust Company	235,813
Capital Guardian Trust	169,273
Chancellor Capital Management, Inc.	561,192
General American Investment Management Company	95,516
Independence Investment Associates	236,330
Investment Advisors, Inc.	330,728
Kennedy Capital Management	385,229
Montgomery Asset Management	344,526
Seneca, Inc.	173,155
Wilshire Associates, Inc.	305,610
Woodford Capital Management	153,762

Venture capital manager

Brinson Partners, Inc.	248,986
------------------------	---------

Total investment managers' fees

3,991,237

Other investment service fees

<i>Custodian fees</i> - Boatmen's Trust Company	384,569
<i>Security lending fees</i> - Boatmen's Trust Company	271,526
<i>Investment consultant fees</i> - Summit Strategies, Inc.	210,000
Total other investment service fees	866,095
Total investment service fees	<u>\$ 4,857,332</u>

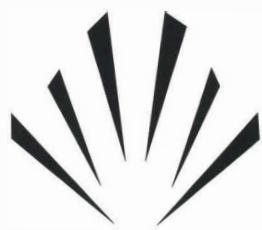
Schedule of Brokerage Commissions Paid
Year Ended June 30, 1995

Brokerage Firms	Number of Confirmations	Number of Shares	Principal	Commissions		
				Dollar Amount	Per Share	% of Principal
Investment Technology Group	3,399	6,957,586	\$ 215,202,239	\$ 155,353	\$.022	0.07%
Bear, Stearns & Co.	342	1,522,597	51,872,913	79,735	.052	0.15
Instinet	1,248	2,583,711	71,508,069	71,488	.028	0.10
Lynch Jones & Ryan	164	1,321,000	43,150,061	61,162	.046	0.14
Merrill Lynch, Pierce Fenner & Smith, Inc.	142	1,053,000	28,428,956	59,352	.056	0.21
Salomon Brothers, Inc.	250	1,456,483	37,290,333	56,692	.039	0.15
A.G. Edwards & Sons, Inc.	142	747,000	20,058,700	40,853	.055	0.20
Lehman Brothers	150	689,800	22,120,789	40,695	.059	0.18
Prudential Securities	72	595,300	19,109,595	34,844	.059	0.18
Smith Barney, Incorporated	99	510,400	17,406,703	30,046	.059	0.17
Jefferies & Company, Inc.	87	708,857	23,632,354	29,741	.042	0.13
Kemper Securities	74	499,750	18,557,341	26,325	.053	0.14
Goldman Sachs & Co.	89	432,600	14,803,982	26,067	.060	0.18
Morgan Stanley & Co. Inc.	84	437,900	16,866,416	25,505	.058	0.15
Paine, Webber, Jackson & Co.	83	424,251	15,816,764	24,946	.059	0.16
First Boston Corporation	101	385,230	11,434,415	20,975	.054	0.18
Lewco Securities	48	332,775	10,335,429	19,398	.058	0.19
Cantor Fitzgerald	87	491,800	13,158,712	19,360	.039	0.15
Bridge Trading	62	390,625	9,252,209	17,864	.046	0.19
Wagner Stott	69	414,900	11,728,586	16,783	.040	0.14
Sanford Bernstein, & Co.	52	278,800	9,045,920	15,874	.057	0.18
Cowen & Company	53	276,300	9,523,873	15,481	.056	0.16
Donaldson, Lufkin & Jenrette Sec. Corp.	48	234,200	7,443,488	13,772	.059	0.19
Standard & Poor's Securities, Inc.	16	231,800	5,145,183	11,590	.050	0.23
County Natwest Securities Corp.	40	182,100	8,505,815	10,728	.059	0.13
Kidder, Peabody & Co. Inc.	46	197,900	8,215,820	10,624	.054	0.13
Neuberger & Berman	9	173,500	7,111,650	10,410	.060	0.15
Alex Brown & Sons, Inc.	23	170,900	5,050,770	10,077	.059	0.20
Montgomery Sercurities	19	148,700	5,001,258	8,768	.059	0.18
Weeden and Co.	55	198,250	4,515,902	8,104	.041	0.18
Dillon, Reed & Co, Inc.	25	146,000	3,493,439	8,069	.055	0.23
Rauscher Pierce Refsnes	28	156,600	5,323,325	8,061	.051	0.15
Morgan, J.P. Equities Inc.	15	123,600	3,796,532	7,416	.060	0.20
Adler, Coleman	10	136,500	2,359,280	6,825	.050	0.29
Fahnestock & Co.	11	103,200	4,754,053	6,192	.060	0.13
Dean Witter Reynolds, Inc.	22	102,300	5,709,403	6,138	.060	0.11
Deutsch Bank Capital Corp.	7	98,200	3,572,479	5,732	.058	0.16
Correspondent Services Company	15	133,000	3,515,288	5,506	.041	0.16
Wheat First Securities	19	88,900	2,029,990	5,334	.060	0.26
CJ Lawrence	5	87,500	2,738,508	5,250	.060	0.19
Others	428	2,306,042	67,133,567	112,055	.049	0.17
Totals	7,738	27,529,857	\$845,720,109	\$1,149,190	\$0.042	0.14%
Zero commission trades excluded above	1,421	9,282,817	\$209,921,801			



"MOSERS is dedicated to continually improving the level and quality of customer service provided. By concentrating our efforts on the members and their needs, we strive to make the transition to retirement a pleasant one."

Paul A Rockers
Paul Rockers
Benefits Specialist

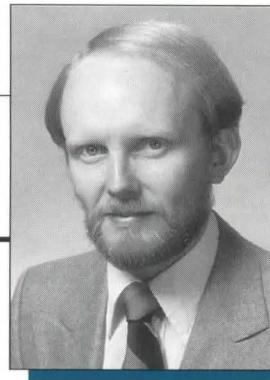


**Actuarial
Section**

Actuary's Certification Letter

GABRIEL, ROEDER, SMITH & COMPANY Actuaries & Consultants

24 Woodbine Avenue • Northport, New York 11768 • 516-757-0047



October 1, 1995

The Board of Trustees
Missouri State Employees' Retirement System
Jefferson City, Missouri 65101

Tom Cavanaugh
Consulting Actuary

The primary financial objective of MOSERS is to establish rates which, expressed as a percent of active member payroll, will remain approximately level from generation to generation of Missouri citizens.

In order to determine MOSERS' present reserve position and level contribution rates for the future, annual actuarial valuations are made. The latest completed actuarial valuation was based upon data and benefit provisions in effect as of June 30, 1995. Details of our work are shown in our annual valuation report.

Assumptions concerning future financial experiences are needed for an actuarial valuation. These assumptions are established by the Board after consulting with the actuary. Various non-economic assumptions were changed for the 1992 valuation based on results of an experienced investigation covering the period of 1988-1991. Economic assumptions were most recently changed by the Board in connection with the 1990 valuation. In our opinion, the assumptions in use produce results which, in the aggregate, are reasonable.

The level percent contribution rate computed as of June 30, 1995 was 10.66% of payroll for 50,524 general state employees and 22.60% of payroll for 37 administrative law judges.

Results of the 1995 actuarial valuation indicated that actuarial accrued liabilities are approximately 84% covered by assets, a strong reserve position.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Tom Cavanaugh".

Thomas J. Cavanaugh, F.S.A.

Summary of Actuarial Assumptions

June 30, 1995

Economic Assumptions

1. The investment return rate used in the valuations was 8.5% per year, compounded annually (net after investment expenses). This assumption is used to make money payable at one point in time equal in value to a different amount of money payable at another point in time.
2. Pay increase assumptions for individual active members are shown for sample ages on page 69. Part of the assumption for each age is for merit and/or seniority increase, and the other 5.0% recognizes wage inflation. This assumption is used to project a member's current salary to the salaries upon which benefits will be based.
3. The active member payroll is assumed to increase 5.0% annually, which is the portion of the individual pay increase assumptions attributable to inflation.
4. The number of active members is assumed to continue at the present number.

Non-Economic Assumptions

5. The mortality table, for post-retirement mortality, used in evaluating allowances to be paid was the 1971 Group Annuity Mortality Table, projected to the year 2000, with no age adjustment for men and a 5 year age setback for women. This assumption is used to measure probabilities of members dying before retirement and the probabilities of each benefit payment being made after retirement.
6. The probabilities of age and service retirement are shown on page 68.
7. The probabilities of withdrawal from service, disability and death-in-service are shown for sample ages on page 69. For disability retirement, impaired longevity was recognized by basing benefit values on an adjusted age midway between attained and normal retirement age.
8. The entry age normal actuarial cost method of valuation was used in determining liabilities and normal cost. Differences in the past between assumed experience and actuarial experience ("actuarial gains and losses") become part of actuarial accrued liabilities. Unfunded actuarial accrued liabilities are amortized to produce payments, (principal & interest) which are level percent of payroll contributions.
9. Employer contribution dollars were assumed to be paid in equal installments throughout the employer fiscal year.
10. Present assets (cash & investments) were valued using a 3 year moving average market value method.
11. The data about persons now covered and about present assets were furnished by the System's administrative staff. Although examined for general reasonableness, the data was not audited by the Actuary.

The actuarial valuation computations were made by or under the supervision of a Member of the American Academy of Actuaries (M.A.A.A.)

Summary of Actuarial Assumptions Ended June 30, 1995

Percent of Eligible Active Members Retiring Next Year

Retirement Ages	Percent	
	<u>Men</u>	<u>Women</u>
50	25.0%	25.0%
51	25.0	25.0
52	25.0	25.0
53	25.0	25.0
54	25.0	25.0
55	3.5	3.5
56	3.5	3.5
57	3.5	3.5
58	3.5	3.5
59	4.0	4.0
60	5.0	8.0
61	10.0	15.0
62	20.0	25.0
63	20.0	15.0
64	25.0	25.0
65	45.0	55.0
66	35.0	35.0
67	30.0	25.0
68	30.0	25.0
69	45.0	60.0
70 and Over	100.0%	100.0%

Summary of Actuarial Assumptions
June 30, 1995

**Separations From Active Employment
Before Service Retirement and
Individual Pay Increase Assumptions**

Sample Ages	Years of Service	Percent of Active Members Separating Within the Next Year								Pay Increase Assumptions For An Individual Employee		
		Withdrawal		Death		Disability		Merit & Seniority	Base (Economy)	Increase Next Year		
Men	Women	Men	Women	Men	Women	Men	Women					
0		28.0%	28.0%									
1		16.0	16.0									
2		13.0	13.0									
3		12.0	12.0									
4		10.0	10.0									
20	5+	10.0	10.0	.04%	.04%	.00%	.00%	2.7%	5.0%	7.7%		
25		10.0	10.0	.05	.04	.04	.02	2.6	5.0	7.6		
30		8.8	8.2	.07	.05	.05	.03	2.2	5.0	7.2		
35		6.2	5.8	.09	.07	.07	.07	1.9	5.0	6.9		
40		4.4	4.7	.14	.09	.09	.11	1.4	5.0	6.4		
45		3.4	4.2	.24	.14	.17	.17	1.2	5.0	6.2		
50		2.7	3.7	.44	.24	.24	.35	0.7	5.0	5.7		
55		1.9	2.6	.71	.44	.46	.49	0.7	5.0	5.7		
60		1.2	1.4	1.09	.71	.66	.53	0.0	5.0	5.0		
65		1.0	1.0	1.77	1.09	-	-	0.0	5.0	5.0		

Pension Trust Funds
Summary of Member Data Included in Valuation
June 30, 1995

Valuation Group	Active Members		Group Averages		
	Number	Payroll	Salary	Age (yrs.)	Service (yrs.)
Missouri State Employees Plan					
Regular state employees	45,205	\$ 1,012,242,053	\$ 22,392	41.8	9.4
Elected officials	6	461,356	76,893	49.7	6.0
Legislative clerks	162	2,340,891	14,450	46.4	8.3
Legislators	196	4,777,813	24,377	48.2	8.0
Uniformed water patrol	63	1,886,097	29,938	39.4	13.3
Conservation department	1,378	39,376,248	28,575	41.6	12.9
Contract employees	3,514	137,853,584	39,230	47.6	12.6
Total in MSEP group	<u>50,524</u>	<u>1,198,938,042</u>	<u>23,730</u>	<u>42.2</u>	<u>9.7</u>
Administrative Law Judges and Legal Advisors Plan					
	37	2,166,275	58,548	44.9	7.3
Non-funded Judicial Plan					
	357	27,984,008	78,387	51.4	10.2
 Retired Lives					
Type of Benefit Payment	Number	Annual Benefits	Benefit	Group Averages	
				Age	(yrs.)
Missouri State Employees Plan					
Retirement	13,040	\$ 98,959,248	\$ 7,589	72.2	
Disability	101	367,476	3,638	56.9	
Survivor of active member	686	2,724,480	3,972	60.0	
Survivor of retired member	557	2,891,568	5,191	71.8	
Total in MSEP group	<u>14,384</u>	<u>104,942,772</u>	<u>7,296</u>	<u>71.5</u>	
Administrative Law Judges and Legal Advisors Plan					
	21	622,056	29,622	70.3	
Non-funded Judicial Plan					
	342	9,643,512	28,197	74.9	
 Others					
Group	Terminated Vested	Leave of Absence	Long-Term Disability		
Missouri State Employees Plan	10,595	324	783		
Administrative Law Judges and Legal Advisors	11	0	0		
Non-funded Judicial Plan	67	0	0		

Missouri State Employees Plan
Active Members by Attained Age and Service
June 30, 1995

Attained Age	Years of Service to Valuation Date						Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	Number
Under 20	78						78	\$ 986,896
20-24	1,867	23					1,890	31,088,341
25-29	4,400	928	45				5,373	104,966,123
30-34	3,114	2,211	851	74			6,250	133,369,460
35-39	2,487	2,182	1,419	1,046	90		7,224	164,447,336
40-44	2,371	2,096	1,298	1,538	926	64	8,293	204,741,907
45-49	2,067	1,809	1,218	1,289	1,320	622	8,360	211,551,688
50-54	1,236	1,176	811	845	772	710	205	5,755
55-59	696	858	605	599	537	521	357	4,173
60	96	137	110	99	84	72	54	652
61	79	140	96	86	78	58	68	605
62	63	98	82	78	58	58	51	488
63	50	78	63	58	47	46	38	380
64	43	68	42	29	36	28	34	280
65	32	36	31	27	25	28	20	199
66	16	27	17	30	11	10	14	125
67	9	21	15	17	6	4	8	80
68	4	16	17	19	9	7	3	75
69	3	8	10	13	10	6	11	61
70 & Over	15	29	34	40	25	22	18	183
Totals	18,726	11,941	6,764	5,887	4,034	2,256	916	50,524 \$ 1,198,938,042

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

Group Averages:

Age	42.2 years
Service	9.7 years
Annual Pay	\$ 23,730

Administrative Law Judges and Legal Advisors Plan
Active Members by Attained Age and Service
June 30, 1995

Attained Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	Number	Valuation Payroll
30-34	3	1						4	\$ 219,840
35-39	5	3						8	454,443
40-44	4	5	2					11	653,790
45-49	3	1	1					5	307,526
50-54	2			1	1			4	239,382
55-59	1			1				2	125,720
64					1			1	51,704
70 & Over		1				1		2	113,870
Totals	18	11	3	2	2	1	0	37	\$ 2,166,275

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

Group Averages:

Age	44.9 years
Service	7.3 years
Annual Pay	\$ 58,548

Judicial Plan
Active Members by Attained Age and Service
June 30, 1995

Attained Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	Number	Valuation Payroll
30-34	5							5	\$ 354,446
35-39	12	3						15	1,072,924
40-44	34	15	9	7				65	5,065,436
45-49	28	20	10	16	5			79	6,106,681
50-54	28	17	11	12	1	2		71	5,573,443
55-59	10	10	6	12	7	3		48	3,812,235
60	1	2	2	3				8	647,419
61	1		1	1	2	1		6	468,309
62	1			3	3			7	590,709
63	2	2	1	2	2			9	717,210
64		2	2	1	1	3	1	10	787,096
65	2	2	1	4	1	1	1	12	969,203
66	1	2		1	2	1	1	8	663,843
67				4	1	1		6	487,969
68				1	1			3	239,068
69					1			1	82,967
70 & Over				1	2	1		4	345,050
Totals	125	75	45	70	26	13	3	357	\$ 27,984,008

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

Group Averages:

Age	51.4 years
Service	10.2 years
Annual Pay	\$ 78,387

Missouri State Employees Plan
Retirees and Beneficiaries Added and Removed
Ten Years Ended June 30, 1995

		Beginning Balance	Additions	Deletions	Ending Balance
FY 95	Retirees Beneficiaries	12,516 1,135	1,186 154	561 46	13,141 1,243
FY 94	Retirees Beneficiaries	12,101 1,014	957 168	542 47	12,516 1,135
FY 93	Retirees Beneficiaries	11,607 945	996 107	502 38	12,101 1,014
FY 92	Retirees Beneficiaries	11,131 864	936 117	460 36	11,607 945
FY 91	Retirees Beneficiaries	10,700 795	898 91	467 22	11,131 864
FY 90	Retirees Beneficiaries	10,374 720	866 102	540 27	10,700 795
FY 89	Retirees Beneficiaries	9,961 651	966 105	553 36	10,374 720
FY 88	Retirees Beneficiaries	9,514 576	1,322 96	875 21	9,961 651
FY 87	Retirees Beneficiaries	9,133 520	749 81	368 25	9,514 576
FY 86	Retirees Beneficiaries	8,777 477	765 60	409 17	9,133 520

Administrative Law Judges and Legal Advisors Plan
 Retirees and Beneficiaries Added and Removed
 Ten Years Ended June 30, 1995

		Beginning Balance	Additions	Deletions	Ending Balance
FY 95	Retirees Beneficiaries	17 3	1 1	1 0	17 4
FY 94	Retirees Beneficiaries	16 3	1 0	0 0	17 3
FY 93	Retirees Beneficiaries	14 3	2 0	0 0	16 3
FY 92	Retirees Beneficiaries	11 2	4 1	1 0	14 3
FY 91	Retirees Beneficiaries	9 0	3 2	1 0	11 2
FY 90	Retirees Beneficiaries	7 0	2 0	0 0	9 0
FY 89	Retirees Beneficiaries	6 0	1 0	0 0	7 0
FY 88	Retirees Beneficiaries	3 0	3 0	0 0	6 0
FY 87	Retirees Beneficiaries	1 0	2 0	0 0	3 0
FY 86	Retirees Beneficiaries	0 0	1 0	0 0	1 0

Judicial Plan
Retirees and Beneficiaries Added and Removed
Ten Years Ended June 30, 1995

		Beginning Balance	Additions	Deletions	Ending Balance
FY 95	Retirees	186	27	7	206
	Beneficiaries	131	8	3	136
FY 94	Retirees	183	15	12	186
	Beneficiaries	124	11	4	131
FY 93	Retirees	182	11	10	183
	Beneficiaries	125	5	6	124
FY 92	Retirees	177	19	14	182
	Beneficiaries	122	8	5	125
FY 91	Retirees	164	23	10	177
	Beneficiaries	111	15	4	122
FY 90	Retirees	155	14	5	164
	Beneficiaries	108	6	3	111
FY 89	Retirees	153	16	14	155
	Beneficiaries	97	13	2	108
FY 88	Retirees	143	23	13	153
	Beneficiaries	88	11	2	97

Information prior to fiscal year 1988 is not available.

Short-Term Solvency Test
Ten Years Ended June 30, 1995

Missouri State Employees Plan

Fiscal Year	Actuarial Accrued Liabilities for				Net Assets Available for Benefits	Percentage of Actuarial Liabilities Covered by Net Assets Available for		
	Member Contributions (1)	Current Retirees & Beneficiaries (2)	Active & Inactive Members, Employer Financed Portion (3)			(1)	(2)	(3)
1995	\$ 448,559	\$ 1,010,431,608	\$ 2,139,916,413	\$ 2,649,077,134	100.00%	100.00%	76.6%	
1994	448,559	909,819,763	2,009,188,103	2,425,134,504	100.00	100.00	75.4	
1993	448,909	743,697,883	1,703,075,268	2,236,558,739	100.00	100.00	87.6	
1992	455,328	662,010,170	1,629,118,392	1,991,215,165	100.00	100.00	81.6	
1991	465,307	587,489,069	1,464,646,384	1,793,370,043	100.00	100.00	82.3	
1990	482,785	520,837,298	1,340,045,133	1,587,114,827	100.00	100.00	79.5	
1989	492,278	492,128,269	1,289,505,018	1,417,715,534	100.00	100.00	71.7	
1988	496,248	370,132,734	1,198,613,048	1,255,558,874	100.00	100.00	73.8	
1987	498,712	332,745,597	874,911,012	1,029,734,188	100.00	100.00	79.6	

Information prior to fiscal year 1987 is not available.

Administrative Law Judges and Legal Advisors Plan

Fiscal Year	Actuarial Accrued Liabilities for				Net Assets Available for Benefits	Percentage of Actuarial Liabilities Covered by Net Assets Available for		
	Member Contributions (1)	Current Retirees & Beneficiaries (2)	Active & Inactive Members, Employer Financed Portion (3)			(1)	(2)	(3)
1995	\$ 0	\$ 6,088,732	\$ 3,641,223	\$ 6,655,207	N/A	100.00%	15.6%	
1994	0	5,973,718	2,793,014	6,229,224	N/A	100.00	9.1	
1993	0	5,615,161	2,549,307	5,864,317	N/A	100.00	9.8	
1992	0	4,910,423	2,572,992	5,247,546	N/A	100.00	13.1	
1991	0	3,587,023	3,615,836	4,707,938	N/A	100.00	31.0	
1990	0	2,479,268	3,789,264	4,093,598	N/A	100.00	42.6	
1989	0	2,109,119	4,341,140	3,348,429	N/A	100.00	28.5	
1988	0	1,752,412	3,630,756	2,723,051	N/A	100.00	26.7	
1987	0	772,549	3,413,812	2,243,078	N/A	100.00	43.1	

Information prior to fiscal year 1987 is not available.

Judicial Plan

Fiscal Year	Actuarial Accrued Liabilities for				Net Assets Available for Benefits	Percentage of Actuarial Liabilities Covered by Net Assets Available for		
	Member Contributions (1)	Current Retirees & Beneficiaries (2)	Active & Inactive Members, Employer Financed Portion (3)			(1)	(2)	(3)
1995	\$ 0	\$ 81,586,593	\$ 72,060,389	\$ 0	N/A	0.00%	0.00%	
1994	0	70,477,754	71,117,871	0	N/A	0.00	0.00	
1993	0	65,843,955	66,598,009	0	N/A	0.00	0.00	
1992	0	64,240,019	62,900,515	0	N/A	0.00	0.00	
1991	0	57,923,939	61,128,646	0	N/A	0.00	0.00	
1990	0	50,907,136	50,993,604	0	N/A	0.00	0.00	
1989	0	51,985,358	45,419,078	0	N/A	0.00	0.00	

Information prior to fiscal year 1987 is not available.

Missouri State Employees Plan
Total Benefits Payable June 30, 1995
Tabulated by Attained Ages of Benefit Recipients

Attained Ages	Service Retirement		Disability Retirement		Survivors & Beneficiaries		Totals	
	Number	Annual Benefits	Number	Annual Benefits	Number	Annual Benefits	Number	Annual Benefits
Under 20		\$		\$	31	\$ 46,560	31	\$ 46,560
20-24					5	11,676	5	11,676
25-29					1	8,100	1	8,100
30-34					8	24,636	8	24,636
35-39			1	1,440	17	93,996	18	95,436
40-44			4	9,696	37	170,580	41	180,276
45-49			12	45,540	72	347,412	84	392,952
50-54	78	1,019,136	17	53,592	76	373,260	171	1,445,988
55-59	581	5,804,304	28	102,264	115	646,848	724	6,553,416
60-64	1,706	16,549,884	37	146,172	174	928,788	1,917	17,624,844
65-69	3,265	25,847,748	2	8,772	186	884,952	3,453	26,741,472
70-74	2,926	22,141,872			191	866,028	3,117	23,007,900
75-79	2,161	14,514,288			166	663,708	2,327	15,177,996
80-84	1,378	8,064,120			107	364,800	1,485	8,428,920
85-89	676	3,573,240			42	156,180	718	3,729,420
90-94	223	1,237,632			15	28,524	238	1,266,156
95	21	84,780					21	84,780
96	7	32,112					7	32,112
97	4	27,756					4	27,756
98	6	28,596					6	28,596
99	1	2,112					1	2,112
100	5	21,192					5	21,192
101	1	4,956					1	4,956
102	1	5,520					1	5,520
Totals	13,040	\$ 98,959,248	101	\$ 367,476	1,243	\$ 5,616,048	14,384	\$ 104,942,772

Average Age at Retirement: 62.6 years.

Average Age Now: 71.5 years.

Administrative Law Judges and Legal Advisors Plan
Total Benefits Payable June 30, 1995
Tabulated by Attained Ages of Benefit Recipients

Attained Ages	Service Retirement		Disability Retirement		Survivors & Beneficiaries		Totals	
	Number	Annual Benefits	Number	Annual Benefits	Number	Annual Benefits	Number	Annual Benefits
50-54		\$ 35,964		\$	1	\$ 15,396	1	\$ 15,396
60-64	1	228,708			1	14,916	2	50,880
65-69	7	142,188			1	4,008	8	232,716
70-74	4	130,824			1	14,652	4	142,188
75-79	4	35,400			1	145,476	5	145,476
80-84	1						1	35,400
Totals	17	\$ 573,084	\$ 0	\$ 0	4	\$ 48,972	21	\$ 622,056

Average Age at Retirement: 65.9 years.

Average Age Now: 70.3 years.

Missouri State Employees Plan
Actuarial Present Values
June 30, 1995

Actuarial Present Value, June 30	Actuarial Present Value	Portion Covered by Future Normal Cost Contributions	Actuarial Accrued Liabilities
Active Members			
Service retirement benefits based on service rendered before and likely to be rendered after valuation date	\$ 2,380,575,673	\$ 623,924,879	\$ 1,756,650,794
Disability benefits likely to be paid present active members who become totally and permanently disabled	46,308,775	21,863,120	24,445,655
Survivor benefits likely to be paid to widows and children of present active members who die before retiring	117,465,681	43,625,538	73,840,143
Separation benefits likely to be paid present active members			
Refunds of member contributions	448,559		
Deferred benefits	260,545,773		
Total	260,994,332	133,097,954	127,896,378
Active Member Totals	\$ 2,805,344,461	\$ 822,511,491	1,982,832,970
Members on Leave of Absence & LTD			
Service retirement benefits based on service rendered before the valuation date			45,310,016
Terminated Vested Members			
Service retirement benefits based on service rendered before the valuation date			112,221,986
Retired Lives			
Total Actuarial Accrued Liability		1,010,431,608	
Assets Used in Valuation		3,150,796,580	
Unfunded Actuarial Accrued Liability		2,649,077,134	
		\$ 501,719,446	

Administrative Law Judges and Legal Advisors
Actuarial Present Values
June 30, 1995

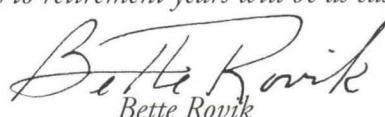
Actuarial Present Value, June 30	Actuarial Present Value	Portion Covered by Future Normal Cost Contributions	Actuarial Accrued Liabilities
Active Members			
Service retirement benefits based on service rendered before and likely to be rendered after valuation date	\$ 4,709,115	\$ 2,305,272	\$ 2,403,843
Disability benefits likely to be paid present active members who become totally and permanently disabled	166,570	120,401	46,169
Survivor benefits likely to be paid to widows and children of present active members who die before retiring	276,006	207,167	68,839
Separation benefits likely to be paid present active members	830,331	609,624	220,707
Active Member Totals	<u>\$ 5,982,022</u>	<u>\$ 3,242,464</u>	<u>2,739,558</u>
Members on Leave of Absence & LTD			
Service retirement benefits based on service rendered before the valuation date			0
Terminated Vested Members			
Service retirement benefits based on service rendered before the valuation date			901,665
Retired Lives			6,088,732
Total Actuarial Accrued Liability			9,729,955
Assets Used in Valuation			6,655,207
Unfunded Actuarial Accrued Liability			<u>\$ 3,074,748</u>

**Judicial Plan
Actuarial Present Values
June 30, 1995**

Actuarial Present Value, June 30	Actuarial Present Value	Portion Covered by Future Normal Cost Contributions	Actuarial Accrued Liabilities
Active Members Service retirement benefits based on service rendered before and likely to be rendered after valuation date	\$ 100,486,671	\$ 39,763,577	\$ 60,723,094
Disability benefits likely to be paid present active members who become totally and permanently disabled	3,278,666	2,329,583	949,083
Survivor benefits likely to be paid to widows and children of present active members who die before retiring	4,896,058	3,145,320	1,750,738
Active Member Totals	<u>\$ 108,661,395</u>	<u>\$ 45,238,480</u>	<u>63,422,915</u>
Terminated Vested Members			8,637,474
Retired Lives			81,586,593
Total Actuarial Accrued Liability			153,646,982
Assets Used in Valuation			0
Unfunded Actuarial Accrued Liability			<u>\$ 153,646,982</u>



"We strive to treat all members with dignity and respect as we provide them with the data they will need to make informed decisions about their financial futures. Our primary goals are to assure that retiring members are fully aware of the benefits and options available to them under the law and that the movement from working careers to retirement years will be as easy as possible."


Bette Rovik
Benefits Specialist



Summary

Plan Membership

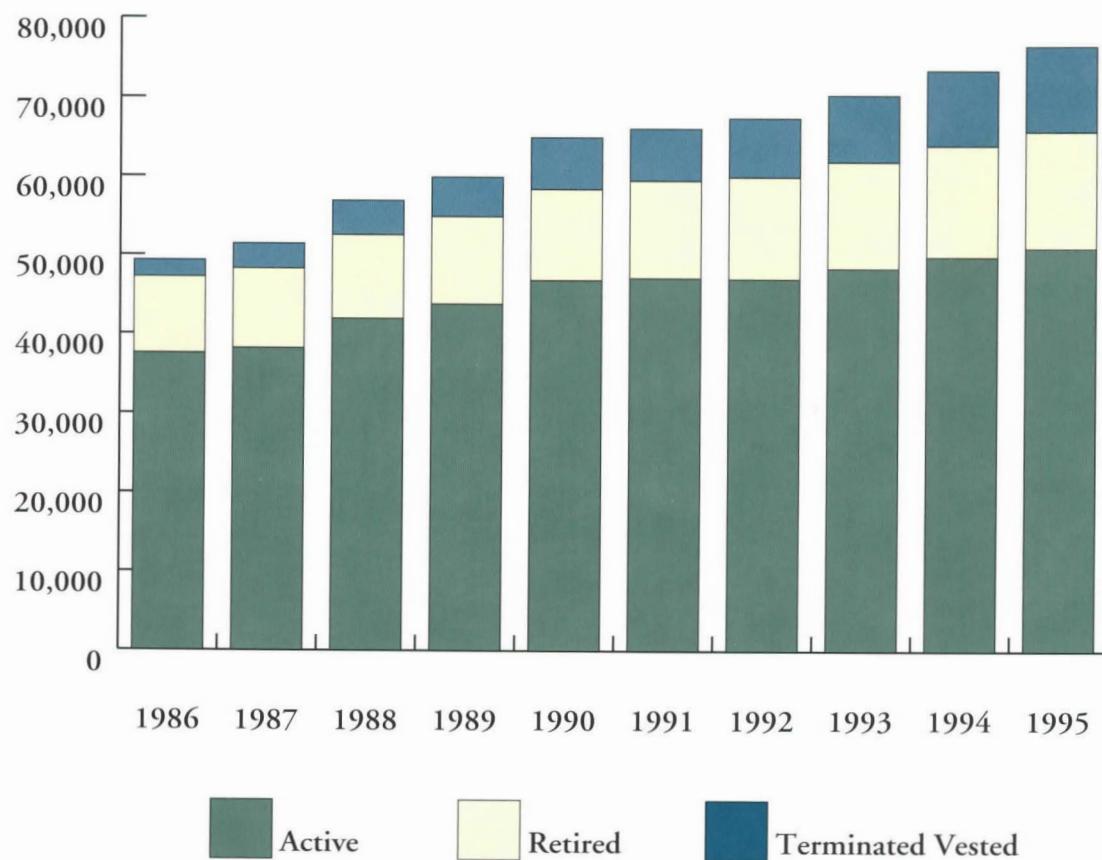
Membership in the pension trusts administered by MOSERS increased by 3,025. Active members increased by 1,092, retired members increased by 759, and terminated vested members increased by 1,174. Membership data for the last ten years ended June 30, 1995, can be found on page 85.

Net Assets vs. Liabilities

The charts on page 86 graphically represent the funding progress of the pension plans for the ten years ended June 30, 1995. The chart on the top of page 86 compares the net assets held in trust for pension benefits to pension benefit liabilities. The top line represents the accrued liabilities of the plans funded on an actuarial basis and the bottom segment represents the net assets accumulated to fund those liabilities (identified by type of assets). The spread between the total accrued liabilities and the total net assets represents the unfunded actuarial accrued liabilities. The chart on the bottom of page 86 represents the funded ratio of the Missouri State Employees Plan for the ten years ended June 30, 1995.

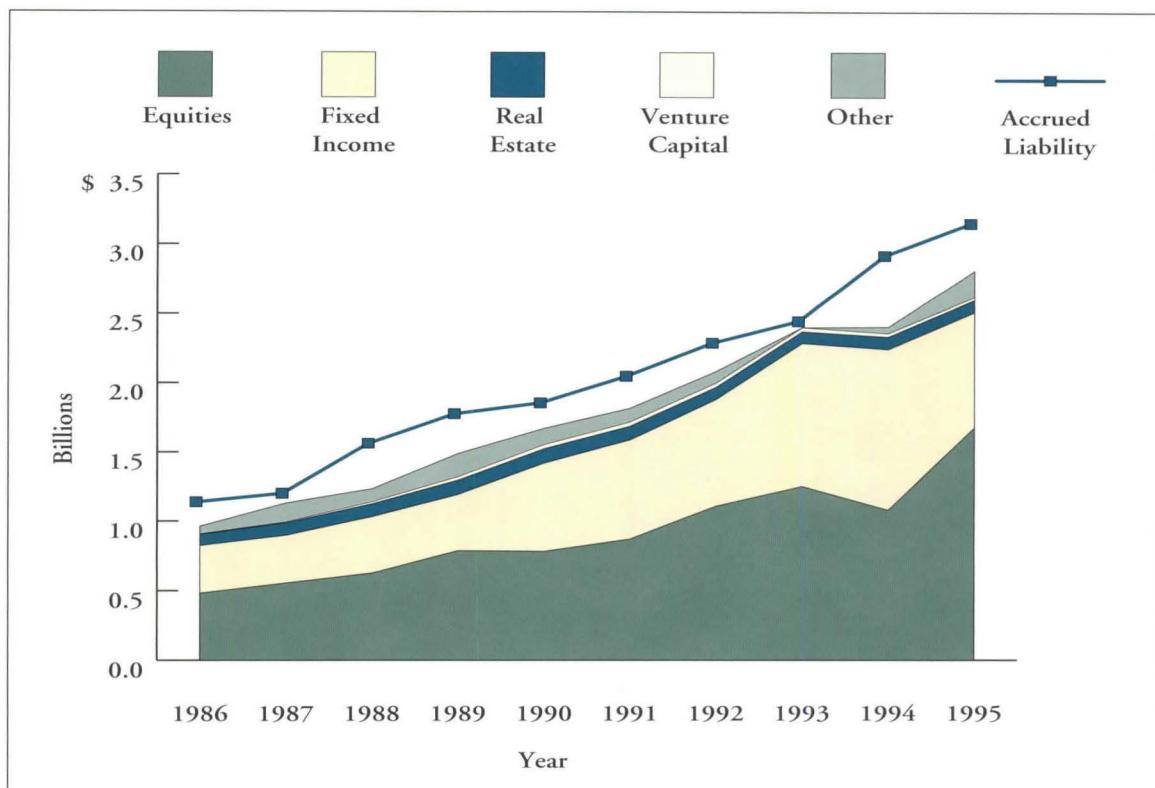
The existence of the unfunded actuarial accrued liabilities is not necessarily an indication of financial problems, but the fluctuations are important and should be monitored and controlled.

Missouri State Employees' Retirement System
 Membership in Retirement Plans
 Last Ten Fiscal Years

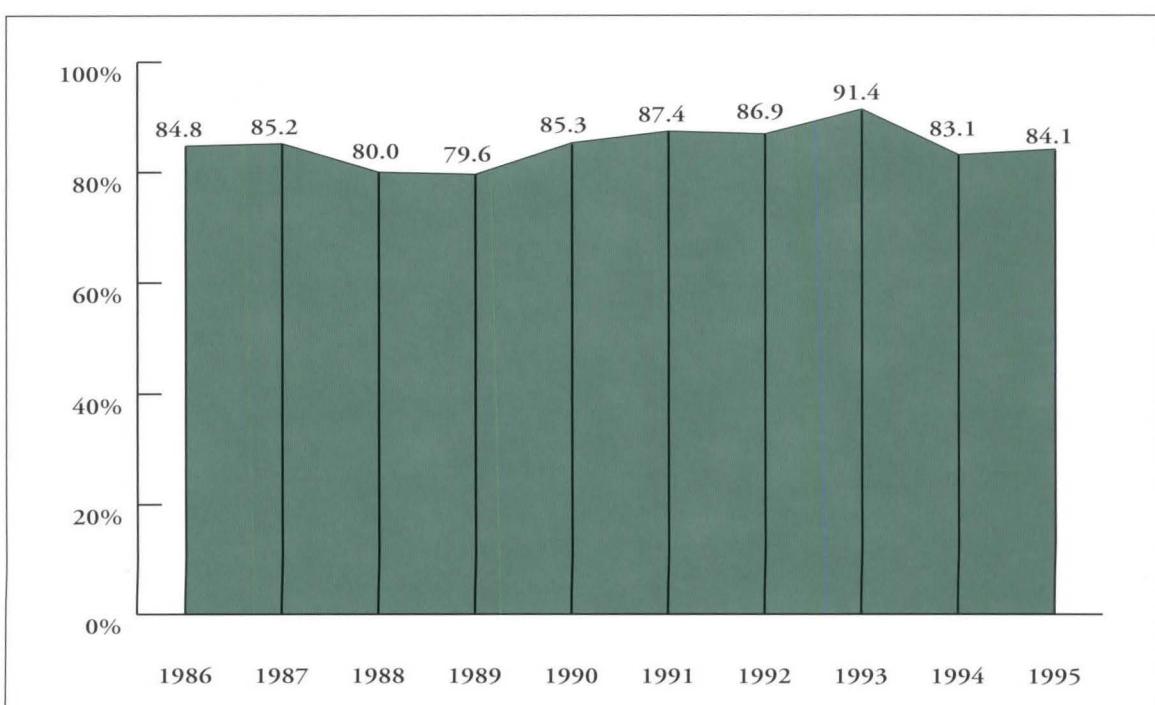


Fiscal Year	Active	Retired	Terminated Vested
1986	37,552	9,653	2,131
1987	38,174	10,090	3,200
1988	41,944	10,612	4,356
1989	43,787	11,090	4,997
1990	46,834	11,495	6,544
1991	47,105	12,307	6,610
1992	46,999	12,876	7,484
1993	48,343	13,441	8,423
1994	49,826	13,988	9,499
1995	50,918	14,747	10,673

Missouri State Employees' Retirement System
Pension Trust Funds
Net Assets Compared With Pension Liabilities
Ten Years Ended June 30, 1995



Missouri State Employees Plan
Valuation Assets as Percents of Pension Liabilities
Ten Years Ended June 30, 1995



Benefit Expenses by Type
Last Ten Fiscal Years
Ended June 30, 1995

	FY95	FY94	FY93	FY92	FY91
Retirement	\$ 88,532,996	\$ 78,018,158	\$ 70,002,701	\$ 62,868,259	\$ 56,451,361
Survivor	5,146,981	4,202,875	3,533,845	3,081,500	2,566,480
Disability	379,382	436,022	484,806	566,322	659,961
Nonfunded	0	0	0	0	0
Judges	9,188,599	8,205,509	7,728,160	7,335,579	6,572,690
Legislators	2,139,053	1,825,730	1,585,456	1,334,577	1,119,047
Administrative Law Judges	600,650	565,082	502,310	399,463	317,374
	FY90	FY89	FY88	FY87	FY86
Retirement	\$ 50,622,879	\$ 44,961,595	\$ 30,597,097	\$ 20,206,526	\$ 17,555,999
Survivor	2,178,282	1,653,244	1,365,209	1,097,245	921,403
Disability	996,712	1,210,440	1,767,075	1,333,313	1,334,181
Nonfunded	0	0	4,703,479	11,160,433	7,706,443
Judges	5,838,700	5,142,127	4,380,973	3,572,635	2,969,364
Legislators	922,435	714,248	617,267	505,894	340,393
Administrative Law Judges	191,534	163,327	104,757	52,983	11,412

**Missouri State Employees Plan
Benefits Payable June 30, 1995
Tabulated by Option and Type of Benefit**

Type of Benefit	Number	Annual Funded Benefits	Average Annual Benefits
Service Retirement			
Normal Annuity	10,553	\$ 71,180,628	\$ 6,745
50% Joint & Survivor	895	12,323,388	13,769
75% Joint & Survivor	23	202,896	8,822
100% Joint & Survivor	1,297	13,284,444	10,242
5 Year Certain Life	132	1,024,320	7,760
10 Year Certain Life	140	943,572	6,740
Survivor Beneficiary	557	2,891,568	5,191
Total	<u>13,597</u>	<u>101,850,816</u>	<u>7,491</u>
Disability Retirement	101	367,476	3,638
Death-in-Service	<u>686</u>	<u>2,724,480</u>	<u>3,972</u>
Grand Total	<u>14,384</u>	<u>\$104,942,772</u>	<u>\$ 7,296</u>

**Average Monthly Benefit Amounts
Five Years Ended June 30, 1995**

	FY95	FY94	FY93	FY92	FY91
REGULAR					
Member	\$ 623	\$ 546	\$ 516	\$ 484	\$ 455
Survivor	373	341	315	296	274
Disability	303	281	262	254	249
LEGISLATORS					
Member	1,350	1,083	1,055	1,046	1,026
Survivor	501	447	424	411	428
ADMIN. LAW JUDGES					
Member	2,795	2,659	2,639	2,536	2,431
Survivor	1,009	917	917	917	758
JUDGES					
Member	3,248	3,127	3,006	2,867	2,672
Survivor	1,001	918	882	866	835
Disability	0	0	0	0	0

Missouri State Employees Plan
Retirees and Beneficiaries as of June 30, 1995
Tabulated by Year of Retirement

Year of Retirement	Number	Total Annual Benefits	Average Monthly Benefit
1995	764	\$ 7,012,836	\$ 765
1994	1,028	8,080,056	655
1993	1,135	9,843,648	723
1992	937	7,978,848	710
1991	983	8,768,964	743
1990	791	6,907,284	728
1989	814	6,703,896	686
1988	827	6,926,364	698
1987	735	5,458,908	619
1986	652	4,149,984	530
1985	599	3,949,476	549
1984	501	3,164,316	526
1983	563	3,576,108	529
1982	570	3,585,720	524
1981	483	2,962,128	511
1980	388	2,208,840	474
1979	309	1,706,892	460
1978	303	1,588,644	437
1977	339	1,883,292	463
1976	347	1,785,192	429
1975	278	1,499,388	449
1974	242	1,075,596	370
1973	274	1,438,320	437
1972	131	719,220	458
1971	88	457,512	433
1970	83	416,460	418
1969	60	311,232	432
1968	45	226,824	420
1967	24	120,456	418
1966	29	154,068	443
1965	27	124,416	384
1964	13	65,880	422
1963	10	43,968	366
1962	4	19,896	415
1961 & Prior	8	28,140	293
Totals	14,384	\$ 104,942,772	\$ 608

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